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Farmer Cooperatives



in the United States

Farmer Cooperative Service
U. S. Department of Agriculture
Washington 25, D. C.

FCS Bulletin 1

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THE Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, merchandising, product quality, costs, efficiency, financing, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmers' cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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*A copy of this publication may be obtained upon request, while
a supply is available, from*

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FOREWORD

THIS bulletin is designed to provide a comprehensive review of the many ways farmers use cooperatives to help meet their economic problems . . . the complex problems inherent in marketing their products, buying their farm supplies, and performing many other essential farm business services.

The first publication of this type was issued by the Department of Agriculture in 1917. The present bulletin represents a complete revision of the latest publication in this series which was issued in 1947 as Bulletin 54, under the title, *Agricultural Cooperation in the United States*, by Ward W. Fetrow and R. H. Elsworth.

This revision, FCS Bulletin 1, portrays the growing strength and expanding use farmers are making of their cooperatives and discusses the principles, practices, and problems of such farmer organizations.

It is the responsibility of the Farmer Cooperative Service to make information available on the principles and practices of farmer cooperatives. An

Act of Congress in force since 1926 instructs the Department of Agriculture to acquire and disseminate information useful "in the development and practice of cooperation," and "to promote the knowledge of cooperative principles and practices and to cooperate in promoting such knowledge with educational and marketing agencies, cooperative associations, and others."

In the spirit of this Act, this bulletin is issued primarily for use of educational workers in schools and colleges and for others who need general information on farmer cooperatives in the United States today.

The work of preparing this publication has been a joint effort of the entire staff of Farmer Cooperative Service, with responsibility for planning and editing placed in the Information Division directed by Mrs. Beryle Stanton. Among those who have made major contributions not credited in signed articles are Kelsey B. Gardner, M. A. Abrahamsen, and Anne Gessner.

Joseph G. Knapp.

Farmer Cooperatives in the United States

FARMERS use cooperatives in this country for a wide range of jobs. They join together in these businesses to market their products, buy their supplies, and do many other related tasks essential in their complex midcentury farming.

This bulletin gives a picture of what cooperatives really are, how and why they have developed here over the past century and a half, and then goes into more detail on their selling, buying, and other service operations.

It shows how cooperatives touch the lives of nearly all the farmers in the country. To improve farmers' financial returns, these associations early took the lead in better grading, in putting the emphasis on quality products and supplies, and in translating research findings into practical application on the farms. In many instances this has meant the entire community—not just the members—benefited from the greater individual income or better supplies the cooperatives have helped farmers to obtain.

The bulletin traces the course these farmer associations have taken over

the years and the reasons for the various shifts that have made them what they are today—the off-farm business enterprises of at least 3 out of 5 farmers.

It tells how cooperatives have helped protect the family-sized farm, basis of our agricultural life, by helping the smaller farmer compete in an agricultural economy that is becoming increasingly mechanized and commercialized.

It also shows how better rural leadership has been developing from the functioning of thousands of directors of cooperatives. For farmers working together toward their mutual benefit have developed a spirit of self help—of reliance, business know-how, pride of ownership, neighborliness, and greater community interest.

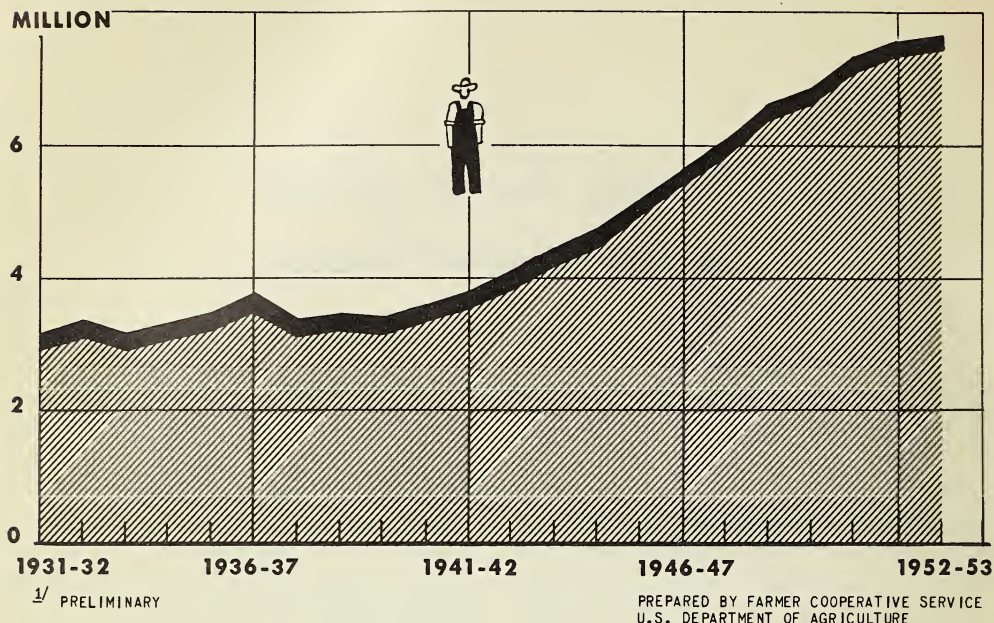
This publication then goes on to show the many benefits members obtain through their cooperatives—and how these benefits help the associations make substantial contributions to more efficient farm production and a higher standard of living on American farms.

Farmers Make Wide Use of Cooperatives

BY 1955 many types of farmer cooperatives were operating in all 48 States, the District of Columbia, Alaska, Hawaii, and Puerto Rico. Latest statistics available—for 1952—

53 crop year—showed 10,114 marketing, purchasing and related service cooperatives with memberships of 7.5 million. Because many farmers belong to more than one association,

Figure 1.—Membership in farmers' marketing, purchasing, and related service cooperatives, 1931-32 to 1952-53.¹

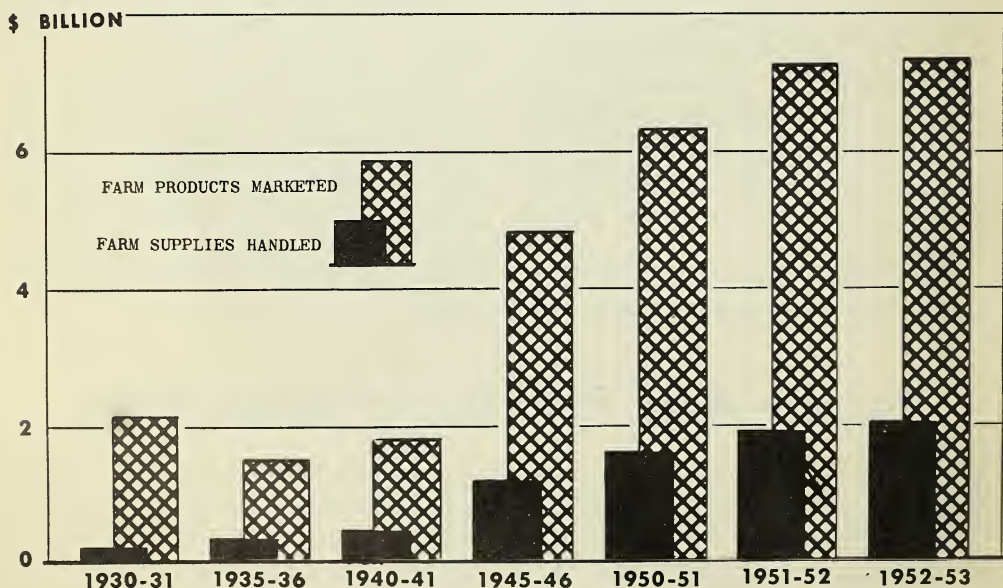


there is some duplication in these figures. (Fig. 1.) It is estimated, however, that at least 3 million farmers are members of one or more of these types of cooperatives. And these

latest figures showed memberships had doubled in about a decade.

The estimated volume of business farmers handled through marketing, purchasing, and related service asso-

Figure 2.—Value of farm products marketed and farm supplies handled by cooperatives, 1930-31 to 1952-53.



ciations, had a gross value of \$12.3 billion in the 1952-53 season. (Fig. 2.) After eliminating duplication because of transactions between cooperatives, this represented a net value of \$9.5 billion. [Appendix table 1.]

Farmers cooperatively provided themselves with many other services than these, however. [Appendix table 3.] About 3.5 million of them were protected against fire, windstorm, or hail through about 1,700 mutual insurance companies. Some 148,000 farmers got water for their land through 9,374 mutual irrigation companies in 1950. About 900 rural electrification cooperatives served more than 3.9 million farm homes in 1954.

And thousands of farmers received telephone service through mutual companies.

Farmers have also turned to cooperatives for financing their business. In 1955, they obtained both long-term and short-term credit through 1,100 national farm loan associations, 498 production credit associations, and about 1,000 rural credit unions. A good many of their cooperatives also obtained credit through the 13 banks for cooperatives.

In addition farmers use cooperatives for such services as frozen-food locker plants, certain forms of transportation, dairy herd improvement, conserving their soil, and the like.

Longtime Records Kept

THE statistical story of cooperative marketing and purchasing by farmers in the United States began about 1912. That was the year the U. S. Department of Agriculture began collecting data from farmer cooperatives by mail. It asked for information on kind of enterprise, cooperative practices, membership and dollar business. It received reports from 889 farmer organizations with a business of \$123 million that year.

A similar survey for 1913 resulted in reports from 3,099 associations with a total business of more than \$310 million.

The Department made similar tabulations in 1914 and 1915 and less complete surveys in 1916 and 1917.¹ With the coming of the 1920's, interest in cooperative marketing and purchasing by farmers increased greatly. So the Department undertook an intensive survey in 1921.

This was followed by a comprehensive survey in 1925 which brought in reports from 10,803 associations with an estimated 2.7 million membership and an estimated \$2.4 billion business.²

Beginning with the 1929-30 marketing season the Federal Government has made a nationwide survey by mail for each marketing year with one exception.³ In 1936-37, the Farm Credit Administration obtained the data in cooperation with State agencies, chiefly colleges of agriculture, and through personal visits to the cooperatives.

The Farmer Cooperative Service, successor to the Cooperative Research and Service Division of the Farm Credit Administration, now collects these statistics each year by mailing out questionnaires. Tables 1 and 2 in the appendix give a complete picture of the latest information it has assembled.

¹ ELSWORTH, R. H., DEVELOPMENT AND PRESENT STATUS OF FARMERS' COOPERATIVE BUSINESS ORGANIZATIONS. 76 pp. illus. U. S. Dept. of Agri., Bul. 1302. 1924. revised April 1925. p. 38-41.

² ELSWORTH, R. H., AGRICULTURAL COOPERATIVE ASSOCIATIONS, MARKETING AND PURCHASING, 1925. 98 pp. illus. U. S. Dept. of Agri. Tech. Bul. 40. 1928. p. 77-85.

³ Appendix tables 1 and 2 show number of associations, membership, and dollar business for 1952-53.

Developed Over Past Century and a Half

FARMERS have long worked together in informal ways as well as in formal organizations. From colonial times on, they have been gradually evolving the form of cooperative

enterprise known today. This section will go into what a cooperative is, what its principles and practices are, what types exist, and will trace its development from pioneer days.

A Cooperative—What Is It?

AGRICULTURAL cooperation implies the voluntary joining together of physical, financial, and human resources to make it possible, or easier, to market farm products, obtain production supplies, and secure many needed farm services. Such collaboration started informally with two or more farmers helping each other with harvest chores, erecting fences, or doing other work which could be done better by joint effort.

The aim of formal cooperation is to bring the benefits of permanent and efficient business organization to farmers in ways that temporary cooperative arrangements of the informal sort cannot accomplish. This type of cooperation sometimes results in business enterprises whose membership extends into one or more States. Farmers are best served when some business activities are developed on a regional and national scale.

It is, therefore, natural that many definitions of cooperation have been formulated. Some are all inclusive; others emphasize particular aspects of cooperation such as economic, social, or legal phases. A few of the many definitions are given with the thought that they may be helpful to those seeking to understand the nature and objectives of farmer cooperatives.

"An agricultural cooperative association is a business organization, usually incorporated, owned and controlled by member agricultural producers, which operates for the mutual benefit of its members or stockholders, as producers or patrons on a cost basis after allowing for the expenses of the operation and maintenance and any

other authorized deductions for expansion and necessary reserves."⁴

"A cooperative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and the gains of which are distributed to the members in proportion to the use they make of its services."⁵

"Cooperation is organized working together for mutual benefits. Economic cooperation is a form of business with democratic ownership and control by member patrons having common needs, serving themselves on a nonprofit basis, and receiving benefits proportional to participation."⁶

Definitions vary naturally according to backgrounds and viewpoints of those making them. At best they present only a general idea of what a cooperative is and how such organizations are set up and operate. Most cooperatives are incorporated. The minimum number of persons required for incorporation varies under the statutes of different States. In a few cases, 3 is the minimum, but under most State laws 5 is the smallest number of persons allowed to incorporate. Other requirements for an association are that it should have officers, a name ade-

⁴ HULBERT, L. S., LEGAL PHASES OF CO-OPERATIVE ASSOCIATIONS. Farm Credit Admin. Bul. 50. 456 pp. 1942. p. 1.

⁵ REPORT OF THE INQUIRY ON CO-OPERATIVE ENTERPRISE IN EUROPE. 321 pp. U. S. Govt. Printing Off. Washington, D. C. 1937.

⁶ FETROW, W. W. AND ELSWORTH, R. H., AGRICULTURAL COOPERATION IN THE UNITED STATES. Farm Credit Admin. Bul. 54. 214 pp. 1947. p. 4.

quate for identification, and a mail address.

Four points by which a cooperative may be recognized have been stated: ⁷

"1. A cooperative business is set up by a group of individuals to obtain services for themselves at cost—not to obtain profit from rendering services to others.

"2. A cooperative business tries to render the greatest possible service to its members. . . .

"3. A cooperative distributes any surplus income over the cost of doing business among those who are served by it in proportion to their use of its

services—not in proportion to their investment.

"4. A cooperative is controlled by its patron members, each of whom ordinarily is allowed a single vote—not by the owners of its capital stock, if any, in proportion to the number of shares they hold."

In summary, the chief aim of farmer cooperatives is to help their members promote their own economic well-being by marketing farm products and obtaining needed goods and services effectively. A cooperative buys and sells in order to help its members as producers increase their individual earnings. Cooperatives are part of our American system of private enterprise just the same as individually owned businesses, partnerships, or other business corporations.

⁷ EM 23. GI ROUNDTABLE, WHY CO-OPS? 38 pp. War Department. Washington, D. C. 1944. p. 4.

What Are Its Principles and Practices?

CERTAIN principles underlie the cooperative form of business. And these principles are responsible for the practices generally acceptable to this form of business. Knowledge of both principles and practices is basic to understanding farmer cooperatives.

The underlying principles that distinguish cooperatives from other types of free enterprise businesses are:

1. Democratic control by members.
2. Payment for capital limited to a

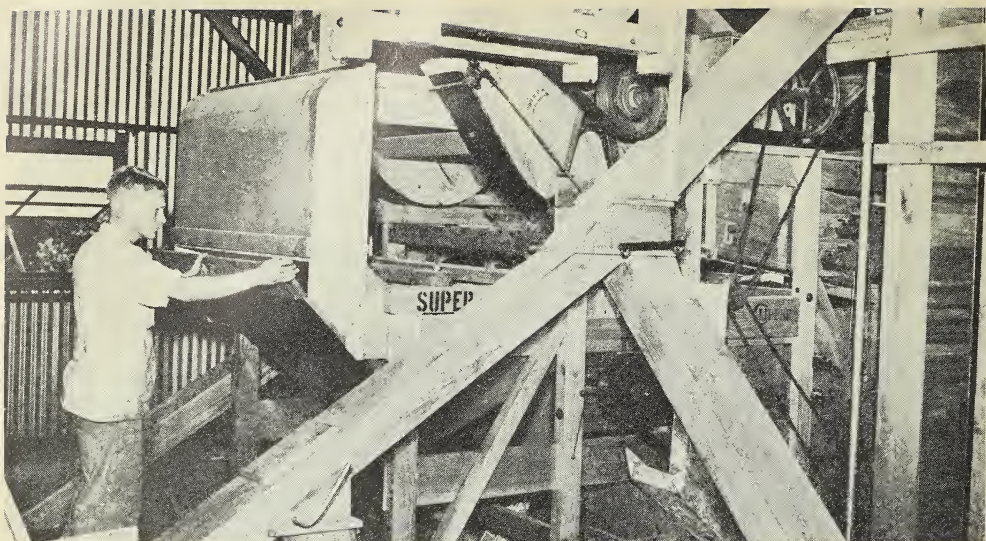
conservative rate.

3. Service at cost. Savings are distributed or allocated in direct proportion to the patronage of each member.

These principles are not arbitrary or accidental. They stem from the inherent nature of cooperative business and give it its distinctive character. They provide the rules of action necessary to accomplish the cooperative purpose.



Democratic control by members is one of the main principles of a cooperative. Here delegates vote on a resolution at annual meeting of Mississippi Federated Cooperatives (A. A. L.), Jackson.



Capital is necessary in a cooperative to finance buildings, equipment, and day-to-day operations.

Democratic Control

Democratic control of the business is perhaps the most universally recognized principle of agricultural cooperation. It is fundamental that those who are to benefit from the organization must own and control it. Otherwise the benefits they are seeking may not materialize, or they may go to others.

Democratic control may be achieved in different ways. It is usually accomplished by voting on the basis of "one member, one vote." This method of voting has the advantage of making difficult any concentration of power in the hands of a few. The one-member, one-vote idea is widely accepted. In a majority of States at least one statute provides that no member or shareholder of a cooperative shall be entitled to more than one vote. This is the case regardless of the amount of stock owned or the extent to which the owner patronizes the cooperative.

When more than one vote per member is allowed, the additional votes may be based on the number of shares of association stock held or on the amount of patronage furnished. Some limitation is usually placed on the maximum number of votes permitted any one member.

Restricting the number of voting shares that one member may hold is the most common adaptation. The casting of multiple votes by stockholders is regulated both by State statutes and the practices of the cooperatives. Twenty percent of the total is a common limitation. However, much smaller percentage restrictions, such as 3 or 5, are also used. A fixed number limit, such as 5 or 10 voting shares per member, is fairly common.

Patronage voting is sometimes used by farmer cooperatives in exercising member-patron control. This is based on the theory that the economic interests of the member patrons are not equal. In an effort to give members voting weight proportioned to the extent they use the services of their cooperative, patrons are sometimes allowed to vote according to the amount of their patronage.

Limited Returns on Capital

Capital invested in a cooperative is only a means to an end. When farmers set up a cooperative, they are not seeking outlets for capital investment. Their business is farming and it usually requires all their available capital. But they have products to sell and need to purchase supplies and services to carry on farming operations. Thus,

it is around farm products, farm supplies, and farm services that cooperatives are built.

Capital is as necessary in a cooperative organization as in any other business. Members must finance buildings and equipment, and operating funds are necessary for day-to-day activities. However, the main motive is to market farm products and obtain supplies or business services, rather than to make a profitable return on dollars invested. Therefore, payments for capital are usually limited to the "going rate," as are payments for labor, land, and management. Anything remaining after payment of these costs belongs to the members. Such benefits are distributed to them in proportion to their individual use of the association services.

Limitation by cooperatives of returns on capital is recognized in both Federal and State laws. These laws merely specify the maximum returns that may be paid on invested capital. Cooperatives may choose to pay any amount less than the maximum. In most State statutes the limit on capital returns is fixed at 8 percent although in a few States it is lower.

The basic Federal cooperative law—the Capper-Volstead Act—recognized the principle of limited returns on capital by setting a maximum interest rate of 8 percent if members vote on any basis other than one man, one vote. Also agricultural cooperatives complying with Federal income tax statutes are required to limit dividends on their capital stock.

This legislative recognition of the limitation of returns on capital in a cooperative business enterprise provides legal sanction to a business procedure already recognized as sound among cooperatives. Strict adherence to this principle of limited returns has not always been easy. In some instances, early farmer associations drifted into noncooperative hands because control was based on capital with no limit placed on the amount of returns on that capital.

Patronage Determines Savings

Cooperatives operate on the basis of service at cost. This is usually accomplished either by operating on a pooling basis or by returning savings as patronage refunds. Where the pooling basis is used in marketing cooperatives, savings are returned to members in net sales proceeds remaining after deduction of operating expenses. In the case of other cooperatives, savings to members are distributed, generally at the end of a fiscal year, in accordance with their use of the services of an association. Because these savings are determined on the basis of patronage, they are usually called patronage refunds.

It is important that authority for the distribution of patronage refunds be based on a mandatory, legally binding obligation, appearing in the association's bylaws, articles of incorporation, marketing agreement or other legal form of contract between association and member. It is also essential that the obligation be in existence before the business transactions occur on which the refunds are based.

This allocation may be based on the value or on the number of units of the



Farmer cooperatives must keep pace with mechanization, one of the great forces bringing about a technical revolution in farming.

products handled. For example, a farmer who delivers 10,000 bushels of grain to his cooperative elevator has contributed 10 times as much to the business of his association as the farmer who delivers only 1,000 bushels. If the savings amount to 1 cent a bushel, the farmer who delivers 10,000 bushels is entitled to \$100 and the other farmer to only \$10. Thus patronage refunds are a convenient means of operating at cost. They reflect to the members the cooperative's savings in direct proportion to each member's use of the services of the association.

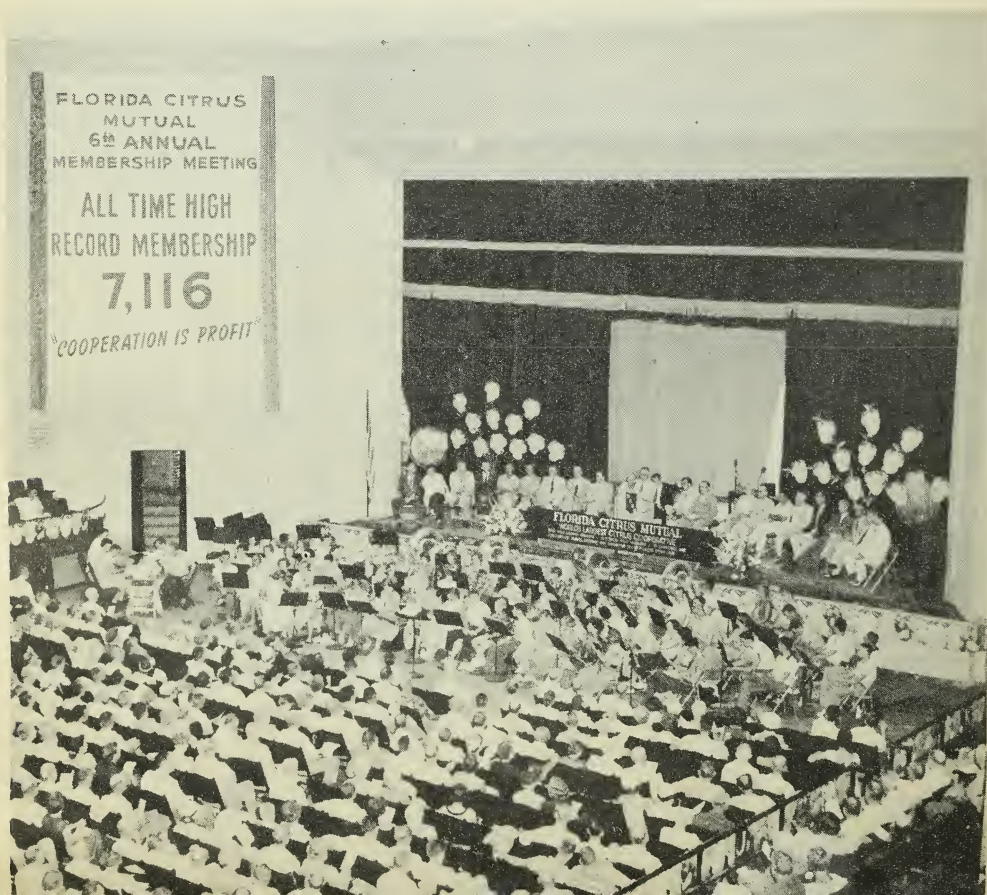
Patronage refunds are also a convenient means of helping the member finance his cooperative. They are not always distributed in cash. They are often issued as a certificate or other form of evidence of ownership to show that the member has a certain amount of accumulated savings credited to him. When sufficient capital is thus built up, the certificates may be redeemed in the same order as issued.

This revolving method of coopera-

tive financing is a working outgrowth of the basic cooperative philosophy that every man should support his organization to the extent he uses it and benefits from it. Thus when authorized in its bylaws, articles of incorporation or marketing agreement, an association can use these accumulated member savings for capital purposes. The member then shares in financing his association in direct proportion to the use he makes of it. Under such a program, when the cooperative has accumulated adequate capital, the oldest member equities are revolved or repaid with funds from equities or deferred refunds derived from current operations.

Cooperatives do not always distribute patronage refunds on the same basis to both members and nonmembers. Where some business is done with nonmembers certain associations pay patronage refunds only to members. Others distribute to nonmembers but at a lower rate than to members. However, many distribute refunds to all patrons at the same rate.

Annual meetings are an important part of the activities of farmer cooperative associations. Many associations intersperse business with entertainment.



Need Sound Business Practices

Adherence to the principles previously discussed will not in itself guarantee success to any organization. There is no business magic in cooperation itself. It merely enables the members to do business in such a way that the benefits achieved come to them. Sound business practices are also essential. Certain of these practices help preserve the cooperative form of business organization. Others are no different from those generally recognized as sound by other private businesses.

A cooperative must follow sound operating policies to reach its greatest success. Some of these policies are directly related to the nature of the cooperative setup. Among them are those policies that govern the method of voting, qualifications for membership, prices for commodities sold or purchased, sound financial programs, and methods of keeping members adequately informed.

It is generally considered good

cooperative practice for patrons also to be members of the association. The Capper-Volstead Act, previously noted, permits business with nonmembers to an amount not greater in value than that done with members.

Other practices the cooperative should follow and considered sound for any business are: Handle all transactions on a cash basis, if possible, or at least limit the use of credit; build adequate reserves; have regular audits by competent accountants; employ capable, honest managerial and other personnel; and exercise care in selecting the board of directors which represents the membership in formulating overall policy.

The laws relating to the creation and operation of cooperatives did not establish the principles of cooperation. Rather, in cooperative development, the principles and most of the practices preceded the laws. The purpose of legislation has been to protect the true cooperative nature of farmer associations.

Cooperatives—What Types Are There?

COOPERATIVES cover almost all phases of farming activity. Yet it is somewhat difficult to prepare a logical and practical classification for the types of these associations.

To be of most value—depending, of course, on the objective in making it—classification should be based on such characteristics as volume of business, commodities handled, area covered, type of membership, legal status, or functions performed.

One of the simplest classifications is that based exclusively on volume of business. According to business done, farmer associations range all the way from those with annual volumes of only a few hundred dollars to those doing many millions of dollars worth of business.

From the standpoint of area covered, there are local, regional, and national associations. Local associations operate around a shipping point or trading center with individual farmers

as members. The services performed by these locals are usually more limited than those of regional or national associations.

Regional associations may cover several counties within a State, parts of several States, or all of several States.

National associations carry on activities in handling commodities or buying supplies that are national in scope.

From the standpoint of type of membership, associations may be classified as local, centralized, or federated. The centralized association is an elaboration of the independent local. The outstanding difference between the local and centralized is in area covered. Functionally the centralized association has much in common with the federation but differs in that its members are individuals rather than associations.

Local associations make up the membership of a federation. In the federation control rests with the local

associations that comprise its membership. Each local association in turn is controlled by its own members, who are the chief beneficiaries from the operation of the federation.

Hybrid types frequently develop among federations. In the smaller federations, large growers may be members along with local associations. In the larger federations, smaller federations may be members along with the locals.

Agricultural Cooperation—Pioneer to Modern

FARMER cooperation in North America dates back to colonial days. Farmers helped each other to clear land, erect buildings, and construct roads. They banded together for mutual protection against Indians and fire. They organized societies in the 1780's to import purebred cattle and later had community drives of livestock to the eastern coastal cities. Early agricultural history often refers to log rollings; husking bees; threshing rings; beef, bull, and stallion rings; cheese rings; and other group activities.

As farmers began to produce more products than they could consume they looked to cooperative techniques for marketing them. Cooperative principles also were used to purchase supplies needed for production. The earliest efforts were informal in nature with neighbors pooling orders for a quantity of supplies. Farmers also joined together to provide needed services such as insurance protection against fire and wind.

As more and more farmers participated in such buying, marketing, and service activities, they put cooperation on a business basis. Formal cooperative associations incorporated, employed managers, and acquired facilities.

The development of agricultural cooperation is a story of the farmer's never-ending efforts to better his lot. For some 150 years he has been learning how to formally cooperate with

From a legal standpoint, cooperatives may be classified according to whether they are incorporated or unincorporated, or are set up on the stock or nonstock plan. Legal status may vary without relation to size, area covered, or type of membership.

For this publication, farmer cooperatives have been classified into three types on the basis of primary functions performed. These functions are marketing, farm supply, and business services.

his neighbor to mutual advantage in performing services related to farming and farm living. Farmers have experienced their share of failures in such efforts. However, from this vast experience sound principles and techniques essential to successful cooperatives have evolved.

The history of cooperative marketing and purchasing by farmers in the United States divides itself logically into five periods. Each was molded by leaders emerging from a constantly increasing number of progressive farmers. Current economic conditions, legal concepts, and changes in agriculture influenced each of these periods.

The first period, beginning shortly after 1800 and ending about 1870, was one of experimentation; the second from 1870 to about 1890 resulted from Grange stimulation; the third from 1890 to 1920 saw the rapid organization of business cooperatives; the fourth from 1920 to 1933 was characterized as orderly commodity marketing; and the fifth period from 1933 to date (1955) may be described as one emphasizing sound business principles and adapting to modern needs. This last period is marked by growth, diversification, integration, consolidation, and modernization. Some of the highlights of these periods follow.

Farmers Experiment With Idea 1810-70

The first period was one of searching for self-help methods and techniques



Oldest mutual insurance company, Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, issued this fire mark, one of the first of its kind.

farmers might use to solve some of their economic problems. Farmer cooperative business organizations had their beginnings in detached groups scattered through the Northeastern States, the Cotton Belt, the Upper Mississippi Valley, and the Far West. Early efforts at "associated or cooperative dairying" were attempted at Goshen, Conn., about 1810. Several cooperative cheese and butter factories were established in New York and other States by 1860. More than 400 cooperatives in the country were processing dairy products by 1867.

Grain and livestock farmers also became interested in cooperative marketing. Wisconsin farmers in 1857 formed the Dane County Farmer's Protective Union and erected a grain elevator at Madison. Some 10 years later, farmers in Illinois organized two grain marketing associations. Old records indicate that farmers in Bureau County, Ill., developed a cooperative hog auction about 1860.

Farmer clubs organized in Illinois and Wisconsin in the 1850's attempted to purchase production supplies. A farmers' purchasing association was

organized in 1863 at Riverhead, N. Y., to buy fertilizer for its members. The first association for the cooperative marketing of fruit was formed at Hammononton, N. J., in 1867. It expanded in 1884 to include cooperative purchasing. In general the early cooperative business ventures blazed new trails and then disappeared. Very few were still in operation in 1955.

In 1865 Michigan passed what is believed to be the first law recognizing the cooperative method for buying and selling. Some years earlier the New York legislature had provided for cooperatively organized mutual insurance companies.

Enter the Grange 1870-90

The Grange known officially as "The Order of Patrons of Husbandry" was founded in 1867. Growth was slow at first. Then the Grange discovered that its local units could be implemented to deal with economic problems as well as with social and fraternal ones. Cooperative marketing was the objective in some States, cooperative buying in others, and both marketing and purchasing in still others.

Early Granges assembled farmer-members' orders and placed them with dealers who shipped carloads direct to farmers. Price concessions were obtained from suppliers because of these services. In the years 1871-76 more than 20,000 local Granges as well as some 26 State agency systems were established. County Granges in many cases acted as business enterprises for members of the local units.

In 1874 the National Grange sent a representative to Europe to gather information about cooperation. As a result the Grange began to sponsor the organization of business cooperatives.

An earlier writer on cooperation says "The great contribution of the National Grange was the formulation and distribution in 1875 of a set of rules for the organization of cooperative stores. These rules were based on those of the



This is the way farmers used to bring their cotton to the gin. In the southern States, early Granges established agencies to market cotton.

28 weavers of Rochdale. . . ." (The Rochdale Equitable Pioneers Society was the first organized consumer cooperative in Rochdale, England, in 1844.) Many cooperative Grange stores were organized in Michigan, Maine, New York, Kansas, Texas, and California. They sold groceries and clothing as well as general farm supplies, hardware, and agricultural implements. These were more successful than the earlier Grange organizations which sold goods below going prices or distributed savings on the basis of stockholdings.

Grange banks were also established in Kansas and California, and the manufacture of farm machinery was undertaken in Iowa.

Grangers in the southern States concentrated on marketing cotton. State organizations in Alabama and Mississippi selected established cotton firms and put them under bond. The Alabama Grange had an agency in New York city to handle cotton on consignment and the Mississippi Grange had its own representative in Liverpool. Granges in these States also leased warehouses for receiving, grading, and financing cotton. In Georgia, Louisiana, and Arkansas, Granges established agencies for handling members' cotton in large lots. A separate cooperative

was formed in Texas to handle cotton on commission.

Forty Grange cooperatives in Iowa were operating elevators by 1871. Kentucky Grangers sponsored warehouses for receiving and handling tobacco. Those in California launched a large program for cooperative marketing and purchasing. In the 1870's the California Grange exported wheat and later its business association handled wool and farm products of all kinds on both a warehouse and commission basis. Orders also were solicited for general merchandise, groceries, and farm implements.

As the country recovered from the depression of the 1870's, fewer Granges were organized and many cooperatives went out of existence. But the impetus given by the Grange to farmer cooperation lasted well into the 20th century. It demonstrated that the Rochdale type of cooperative, which handled goods at prevailing prices and distributed net savings according to patronage, offered the most promising basis for sound cooperative efforts.

Following the decline of the Grange, the Farmers Alliance sprang up in several areas, and later the locals united and spread over the whole South. Efforts of the Alliance in cooperative

business enterprises were similar to those of the Grange and occurred mainly from 1888 to 1895. One of its most significant efforts was the formation of the Florida Fruit Exchange. It also employed State purchasing agents to handle bulk shipments of twine, fertilizer, feeds, and seeds. It started a number of cooperative stores and grain elevators. Other organizations which became a part of the Alliance during the period were the Agricultural Wheel in Arkansas and the Northwestern Alliance in Illinois.

During the 1880's various groups of farmers continued forming marketing cooperatives. Associations to sell fruit formed in Delaware, New York, California, and Florida. Others for marketing livestock, wool, tobacco, walnuts, and dairy products came into the picture. By 1890 there were about 1,000 active cooperatives. Seventy-five percent of these handled dairy products; 10 percent, grain; and over 10 percent, fruit and vegetables. Of interest is the fact that the words "growers protective union" appeared in the names of a number of these cooperatives.

Many Cooperatives Appear 1890-1920

Agricultural cooperation firmly established itself as a part of the economic system for serving farmers during the 3 decades from 1890 to 1920. Local cooperatives formed in nearly all States to market products which could be handled in carlot shipments. By the end of this period the number of active cooperatives increased to more than 14,000. Marketing associations reached an alltime peak of over 12,000 in 1922 and farm supply purchasing associations totaled about 2,100 by 1921.

The local shipping associations developed to full stature. Products were shipped to the central markets where they were usually sold on consignment by a commission agency. Farmers soon began experimenting, however,

with terminal selling. Federations of local shipping associations and a few centralized cooperatives started with the hope of handling a substantial percentage of the production in their area.

Some of the important cooperatives formed during the 1890's were the California State Raisin Growers Association, the Hood River Fruit Growers Union, Hood River, Oreg., the Riverside Growers and Packers' Protective Union, Riverside, Calif., and the Southern California Fruit Exchange, which later became the California Fruit Growers Exchange and is now known as Sunkist Growers, Inc., Los Angeles. At the same time cranberry growers in New Jersey and Massachusetts and grape growers in New York, Michigan, and Iowa organized cooperatives to market their products. Cooperative egg marketing was given a new start in California and potatoes and other produce along the Atlantic coast began to move through cooperatives.

The Farmers Union.—The Farmers Educational and Cooperative Union of America was launched in Texas in 1902 as an outgrowth of the Farmers Alliance movement. Although the Farmers Union considered educational and social problems, major emphasis was placed on economic activities. From the start, it advocated and sponsored cooperative business enterprises.

In the early years it performed purchasing and marketing services through Farmers Union locals but soon began organization of local cooperatives and, in later years, federated and centralized regional associations. The Farmers Union was at one time active in Texas, Louisiana, Arkansas, and Mississippi. It is now most active in such Midwestern States as Oklahoma, Kansas, Nebraska, Colorado, North Dakota, South Dakota, Montana, and Wisconsin.

In the South the Farmers Union placed emphasis on storing and marketing cotton and improving the credit and mortgage system. It also used the business agent system for buying sup-

plies for members of Farmers Union locals. In the Midwestern States it gave attention to the organization of cooperative elevators, creameries, livestock shipping associations, and supply cooperatives. In the early 1930's, for example, Nebraska had about 100 Farmers Union cooperative stores, 100 oil associations, 200 elevators and cream stations which also handled supplies, and approximately 50 Farmers Union locals buying supplies through secretaries or agents.

The Farmers Union consistently advocated carlot buying of production supplies. The secretary or purchasing agent of a local, sometimes jointly with a nearby local, made up carlot orders of supplies needed by members. The State organization directly or through a subsidiary developed contracts with supplying business firms. Eventually these activities led to the organization of cooperatives with warehouses for storing supplies. The State Farmers Union in Nebraska established a wholesale supply purchasing department in 1914 to serve Farmers Union locals, cooperatives, and

also some farmers directly. In 1919 a separate wholesale cooperative, the Farmers Union State Exchange, Omaha, Nebr., was formed.

The Farmers Union exercised a great deal of influence in organizing cooperative livestock shipping associations, both local and regional, and commission associations at terminal points. The first of these commission associations was set up at South Omaha, Nebr., in 1917, and this pioneered the way for several similar organizations. One was established at St. Joseph, Mo., the same year. In 1918, the Farmers Union Livestock Commission opened at Sioux City, Iowa, and Farmers Union Livestock Commission Association, Kansas City, Kans., organized. Also an association formed at Denver, Colo., in 1919, and in East St. Louis, Ill., in 1921. The Iowa Farmers Union purchased the Equity Cooperative Exchange at St. Paul, Minn., in 1922.

The Farmers Union was instrumental in organizing many cooperative grain marketing associations, particularly in Kansas, Nebraska, and the



Dairy co-ops now package their products in attractive wrappers to meet the competition for the housewife's attention in today's supermarkets. Merchandising methods have changed drastically, too, from the time this gentleman wielded his knife.

Dakotas. The Kansas associations formed a regional grain marketing agency—Farmers Union Jobbing Association at Kansas City, Mo.—in 1914 to sell their members' grain on the terminal market. In 1925, the Farmers Union Terminal Association formed at St. Paul. This was the forerunner of the present Farmers Union Grain Terminal Association which began operations in 1938. The original terminal association set up a subsidiary in 1927 to market supplies. It later incorporated separately as the Farmers Union Central Exchange, St. Paul, Minn.

Another successful enterprise was the Farmers Union Cooperative Creamery Co., Superior, Nebr., which was organized in 1917–18 and began operating in 1920.

The American Society of Equity.—This general farm organization began in 1902 in southern Illinois. It sponsored many cooperative enterprises in the North Central States, principally in Wisconsin. Its first efforts were directed mainly to marketing livestock, grain, potatoes, and general produce. Many local cooperatives soon began to handle farm supplies. In Wisconsin Equity endeavored to serve as a broker or central agency for selling produce and purchasing supplies for its local exchanges. It also sponsored several livestock packing plants in 1913. Many of the local associations in the Midwest still carry Equity in their name.

Many Regionals Formed.—Concentrated attempts were made to develop terminal marketing cooperatives from 1905 to 1910. A cooperative livestock commission company began operation on the Midwest terminal markets and an orange marketing association started in California in 1906. Tobacco growers formed an association in Kentucky the following year and Western wool growers followed with a cooperative sales agency. Poultry and egg producers in New York and lima bean growers in California formed central marketing associations in 1909.



Office building and main plant of one of the largest pool-type specialized egg and poultry cooperatives, the Washington Cooperative Farmers Association, Seattle . . . one of the cooperatives formed during the early part of this century.

Almond growers in California began to cooperatively sell products in 1910.

First major regional supply cooperative, Fruit Growers Supply Co., Los Angeles, Calif., organized in 1907, obtained box shooks and orchard supplies for local packing units in California Fruit Growers Exchange, now Sunkist Growers, Inc.

During the second decade of the 20th century local cooperatives increased at a rapid rate. Nearly 7,000 marketing cooperatives and 1,300 supply cooperatives organized.

Another event of this decade was the enactment of new cooperative laws in Wisconsin and Nebraska in 1911. By the end of the 1910–19 period, three strong types of cooperatives were dealing with the marketing problem. These included federations of locals, centralized cooperatives, and terminal marketing cooperatives.

Farm supply cooperatives were organized throughout the country. They handled various major production supplies and equipment. In the Wisconsin and Minnesota area, many general store as well as warehouse associations were organized.

During this period several of the major cooperatives came into existence. Examples of these were as follows: The forerunner of Sun-Maid Raisin Growers Association, Fresno, Calif.; Farmers Union Jobbing Association, Kansas City, Mo.; California Walnut Growers Association, Los Angeles; Poultry Producers of Central California, San Francisco; Dairymen's League Cooperative Association, New York City; and what is now the Washington Cooperative Farmers Association, Seattle.

The Ohio Wool Growers Cooperative Association, Columbus, started in 1918. The Maryland Tobacco Growers Association, Baltimore, and the Farmers Union Livestock Commission at Omaha, Nebr., began in 1917.

During the period from 1914 to 1920, several important regional farm supply cooperatives formed. What is now the Farmers Union State Exchange in Omaha began handling general supplies for members in 1914. In 1917 a group of local cooperative stores set up the Central Cooperative Wholesale in Superior, Wis. The Eastern States Farmers Exchange, with headquarters in West Springfield, Mass., formed in 1918 to purchase feed, seed, fertilizer and miscellaneous supplies for members in several States. In 1920 the Cooperative Grange League Federation Exchange, Inc., was established with headquarters in Ithaca, N. Y.

Other Developments.—From 1900 to 1920, several other events stimulated the development of agricultural cooperation. In 1908 President Theodore Roosevelt created the Country Life Commission which took an interest in cooperatives. College professors turned their attention to the possibilities of farmer cooperation. A series of conferences on marketing and credit were held.

President Woodrow Wilson in 1913 sent a commission to Europe to study cooperation and report its findings. In that year, also, the U. S. Department of Agriculture established an

Office of Markets with a project in co-operative purchasing and marketing. The Smith-Lever Act, passed in 1914, provided for the extension system of the U. S. Department of Agriculture and the State Agricultural Colleges. County and State Farm Bureaus were formed as agencies to promote agricultural extension work. Education in selling farm products and purchasing supplies was considered a part of the county agent's duties. The agents assisted in organizing many cooperative associations.

Much of the growth of farmer cooperatives during the 1910-20 period was generated by their successful operations. The formula for making such enterprises succeed had become common knowledge; the air was filled with optimism as to their possibilities. Likewise, World War I stimulated food production, and increasing prices for items bought by farmers probably stimulated their interest in cooperative purchasing of supplies.

Commodity Marketing Develops 1920-33

Early in 1920 farmers were given a new slogan—"orderly commodity marketing." This characterized the fourth period in the history of agricultural cooperation. It was proposed that regional associations be created to handle the entire output of various crops in important producing areas. Back of the enthusiasm with which the idea was presented was the implied promise of monopoly control and monopoly prices.

Original impetus to this movement was given at a meeting in Montgomery, Ala., in April 1920. A California lawyer, Aaron Sapiro, presented ideas which changed the course of cooperative development through emphasis on commodity associations operating over extended areas.⁸ Up to this time the local association had usually received

⁸ MONTGOMERY, R. H., *THE COOPERATIVE PATTERN IN COTTON*. 355 pp. New York. 1929. Ch. II.

primary attention in building farmer cooperatives.

The program contemplated State or regional single-commodity cooperatives, each controlling enough of its respective crop to be a decisive factor in determining prices. Following the Montgomery meeting, cooperative leaders proceeded to form State and regional associations for marketing cotton, tobacco, wheat, broomcorn, white potatoes, peanuts, rice, sweet potatoes, olives, alfalfa, milk, melons, and poultry. Farmers signed "ironclad" contracts providing for delivery of their crops to these new enterprises.

At the close of 1920 there were 16 centrally controlled cooperatives with about 50,000 members. By 1925 the number had increased to 74 with about 880,000 members. Among the many cooperatives started during these days were 13 wheat pools. These associations generally operated over an entire State.

Not all the associations formed in the 1920's were beguiled by the slogan "orderly commodity marketing and prosperity," but these ideas colored cooperative development for several years. Other new cooperatives were proving satisfactory. For example, the Michigan Elevator Exchange, Lansing (1920), began as a federation of local cooperatives to handle grain and dried beans. The forerunner of Land O'Lakes Creameries, Inc., Minneapolis, the Dairy-men's League Cooperative Association,

New York City, and what is now the Pacific Wool Growers, Portland, Oreg., all formed in 1921. The association that has now become Utah Poultry and Farmers Cooperative came along 2 years later.

The Farm Bureau.—The next major farm organization which influenced and stimulated business cooperation among farmers was the American Farm Bureau Federation and its various State and county affiliates. The national organization was formed in 1919 by various State Farm Bureau federations. Special committees of 13 to 21 members were set up to prepare plans for cooperative marketing enterprises in the fields of livestock, grain, fruits and vegetables, and eggs. As a result several national organizations were established including the U. S. Grain Growers, Inc., Chicago; Federated Fruit and Vegetable Growers, Inc., Chicago; and the National Livestock Producers Association, Chicago. The first two operated only a few years. The American Farm Bureau Federation, in sponsoring the organization of cooperatives, frequently aided by assuming preorganizational expenses and furnishing initial capital. These expenses were usually repaid later by the cooperatives.

Farm Bureaus in various States also were interested in the cooperative purchase of farm supplies. In 1921-23 those in Indiana, Ohio, and Mississippi pooled members' orders for carload shipments of items used in quantity.



Scene more than 20 years ago at Winchester (Va.) service store of the Southern States Cooperative, Richmond, Va. Southern States started back in 1923 as the Virginia Seed Service at Richmond.

Then in the mid-1920's many county-wide Farm Bureau supply associations were incorporated. Within a short time a number of Statewide Farm Bureau wholesale cooperatives were organized to serve them. These developed into effective organizations, many now providing marketing as well as purchasing services.

Other Supply Groups Appear.—

The use of petroleum products began to increase in the late 1920's with the coming of the farm tractor and truck. As a result numerous petroleum cooperatives were formed and marketing associations added petroleum departments. The Farm Bureau, Farmers Union, and Grange sponsored many of these in various States. Others organized as independent local cooperatives. Four regional petroleum wholesale cooperatives were formed between 1926 and 1930.

Various other cooperatives formed in the 1920's. Southern States Cooperative, Richmond, Va., formed originally as the Virginia Seed Service in 1923. The same year the farmers of Missouri, through their local exchanges, established the M. F. A. Milling Co., Springfield, to manufacture quality feeds at minimum costs.

The number of active farm supply cooperatives, however, declined slightly from 1922 to 1928. Many were new and could not weather the period of deflation following World War I. Also emphasis was on commodity marketing cooperatives and some of these added supply services.

National Organizations Form.—

Two national cooperative councils were formed during the 1920's. The National Council of Farmer Cooperative Marketing Associations lasted from 1922 to 1926. The National Cooperative Council, formed in 1929, later became the present National Council of Farmer Cooperatives, Washington, D. C. Over 30 State Councils are now affiliated with it. The National and State Councils promote and protect the interests of farmer cooperatives and provide other

service and informational activities for them.

The American Institute of Cooperation, Washington, D. C., was organized in 1925 as an educational body and has been operating since. The forerunner of the National Milk Producers Federation, Washington, D. C., was set up in 1916 and renamed and expanded in 1923.

Numerous contributions to the legal side of cooperative marketing were made during the 1920-29 period.

Details on these legal aspects are given on pages 25-31; but a brief discussion follows.

Legislators in most States accepted a standard marketing act in slightly modified forms. Three legislative acts of national concern to cooperatives were put upon the books. The Capper-Volstead Act, passed in 1922, specifically sanctioned farmer cooperatives that met certain requirements. Four years later, in 1926, Congress passed the Cooperative Marketing Act which provided for a division of cooperative marketing in the U. S. Department of Agriculture. This division has become the Farmer Cooperative Service.

The Farm Board.—The Agricultural Marketing Act established the Federal Farm Board in 1929. A revolving fund of half a billion dollars was authorized, among other things, to assist cooperatives. As a result a number of new associations and stabilization corporations appeared—several with the word “national” in their names. Examples included the National Livestock Marketing Association, Chicago; the National Wool Marketing Corp., Boston; the American Cotton Cooperative Association, Memphis; and the National Beet Growers Association, Denver—all federations of regional or terminal marketing cooperatives.

Closing of Farm Board activities marked the end of the rapid development of large commodity cooperatives. Several of these are now out of business. They could not live up to the high expectations that had been



Many cooperatives are devoting more time to training their managers, employees and directors. Here a board of directors meet to determine policies and discuss problems.

generated. They never controlled a sufficient portion of any product to exert a strong market influence.

Sound Business Emphasized 1933 to Date (1955)

The fifth and present period in the development of agricultural cooperation began with the closing of the Farm Board era in 1933. During the next period, 1933 to date (1955), marketing cooperatives were affected by economic depression, drouth, agricultural adjustment programs, increased production of food for World War II, inflation, and postwar adjustments. In addition to these factors, farm supply cooperatives were affected by shortages of many supply items during the war period; and by increased use of supplies brought about by shifts to mechanized, diversified, scientific, and commercialized farming.

It is difficult to find a phrase to adequately characterize the period from 1933 to date (1955). It is one marked by growth in volume and memberships and by diversification, integration, consolidation, and modernization. There has been a shift from simple to complex associations and to broader

services. Underlying all this development has been a strong emphasis on sound business principles and membership participation.

Local marketing associations have declined in number but increased in size, membership, and volume. The number of federations and centralized organizations as well as bargaining associations has increased. Farm supply cooperatives have steadily increased in importance. Cooperatives have diversified into more marketing and purchasing operations; they have undertaken a great deal more processing of farm products and manufacturing of farm supplies; they have consolidated and enlarged their plants; they have modernized many facilities; they have improved their finances and operating efficiency; and many have become pace setters in their field in serving farmers.

A few illustrations and highlights of these developments follow. They are discussed partially in terms of the sub-periods of 1933 to 1941, the World War II period of 1942 to 1945, and the postwar period from 1946 to 1955.

Banks for Cooperatives Created.—An important event of the early 1930's

for farmer cooperatives was the legislation creating the Farm Credit Administration. This established a system of banks for cooperatives to make facility, operating, and commodity loans. It also established production credit associations and their lending services helped relieve some of the farmers' demands for credit from farm supply cooperatives. The banks for cooperatives have helped many cooperatives throughout the country to get on a sounder financial basis. Not only did they provide dependable and economical lending services; their officials advised many cooperatives on business and financial practices.

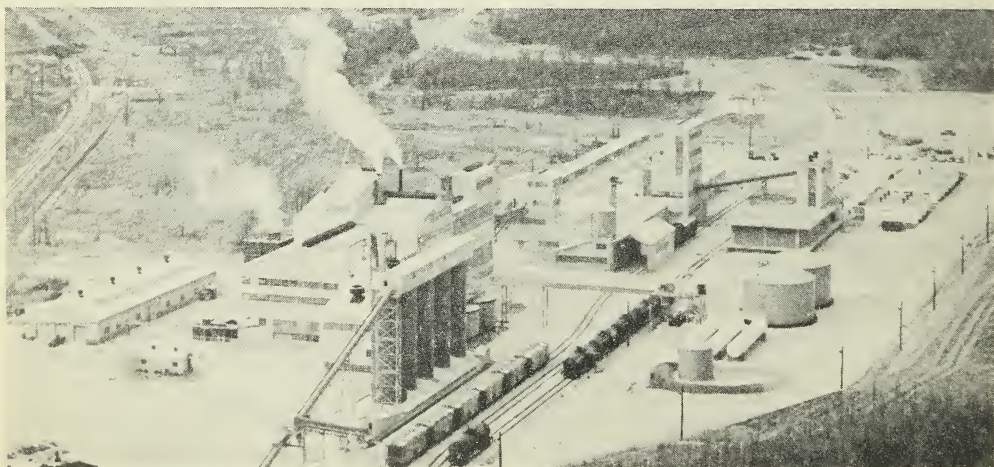
Farmer cooperatives made marked progress from 1933 to 1955 in strengthening their financial and operating position. In 1955 farmers had over \$1.7 billion invested in marketing and supply cooperatives. Much of this came from direct investments to finance new facilities. A substantial portion of the capital was accumulated under revolving capital plans. During the period cooperatives made substantial repayments in cash to members of older equity amounts retained under revolving capital plans.

Research, Service, and Education Stressed.—With the emphasis on sound business operations and finances, the need for research, service, and educa-

tional assistance to farmer cooperatives was further recognized. Such work, begun by the U. S. Department of Agriculture in 1913, was strengthened and formalized in 1926 by the Cooperative Marketing Act. (See page 26.) For many years it was carried on by the Cooperative Research and Service Division of Farm Credit Administration. This work is now done by Farmer Cooperative Service.

The Service places emphasis on problems of management, organization, policies, financing, merchandising, costs, efficiency, and membership relations. It advises with officials of farmer cooperatives and works with educational agencies, cooperatives, and others in disseminating information relating to cooperative principles and practices. The objective of its work in assisting farmers with their cooperative problems is similar to the basic purpose of helping farmers that underlies the work done on crop and livestock problems by other agencies of the U. S. Department of Agriculture and by the State Experiment Stations.

Modern Methods Adopted.—The period 1933–35 saw increasing emphasis placed on managerial, employee, and director training; manager and employee compensation and incentive plans; departmentalizing of operations; membership and public rela-



New fertilizer mixing plant of Missouri Farmers Association, Columbia. Fertilizer manufacturing by cooperatives has developed rapidly in the last decade.

tions; and operating efficiency. The larger cooperatives also gave more attention to retirement programs, business research, product testing, and business controls.

Hundreds of associations shipping livestock by rail and many farmers' elevators disappeared as roads improved and trucks became common. Hundreds of community creameries and cheese factories consolidated to form cooperatives with more modern facilities serving larger areas. Many centralized organizations and federations of local cooperatives formed. After the Farmers National Grain Corp. ceased operations in 1937, there was a rapid revival and expansion of regional grain marketing cooperatives as independent organizations. Cooperative livestock sales agencies operating on terminal markets continued to increase both in numbers and in markets served. The 1933-55 period saw a marked trend in decentralization in livestock marketing. Milk distributing associations continued to increase in numbers.

An important development in cooperative poultry and egg marketing was the organization of small associations, originally selling by the auction method, in the Northeastern States and in Ohio, Indiana, and Illinois. In 1937 three peanut associations formed to facilitate administration of the Government price-support program. Several tobacco grower associations were set up to handle tobacco under the Government stabilization program. Artificial breeding cooperatives for dairy cattle increased greatly after 1933.

Farm Supply Business Increased.—Cooperatives primarily handling farm supplies made steady progress. They increased from 15 percent of all marketing and purchasing cooperatives in 1933 to one-third of the total in 1953. Their memberships moved from 18 percent of the total among all farmer cooperatives to more than 40 percent during the same period. The dollar volume of supply business handled by

all types of cooperatives increased from 10 percent of the total marketing and supply volume in 1932-33 to 23 percent in 1952-53. Approximately 50 federations of farm supply cooperatives formed during 1933-55. Many of these, serving small groups of locals or regionals, often engaged primarily in manufacturing 1 or 2 items.

Began To Process More.—Farmer cooperatives became much more diversified in their marketing operations between 1933 and 1955. Much of this was brought about by the increase in processing by fruit and vegetable, dairy, and poultry cooperatives. Farm supply cooperatives undertook marketing—approximately 20 percent performing such service in 1953. Many local cooperatives handled a wider line of supplies than just feed, seed, and fertilizer. These included petroleum products, insecticides, veterinary supplies, and miscellaneous farm and home equipment. Many added services such as fertilizer and lime spreading, feed mixing, seed cleaning, and paint spraying. A number of both marketing and purchasing cooperatives added cold storage or locker plant services.

World War II greatly stimulated the trend toward more cooperative processing of farm products and manufacturing of farm supplies. Even before the war decentralization of livestock marketing added emphasis to local slaughtering and processing. Six meat packing organizations were launched from 1930 to 1938. The war period greatly stimulated cooperative processing of dried milk and dehydration of fruits and vegetables. Not until 1940 did the first cooperative organize to process and market broilers. Some of these dehydration and processing plants ceased operating, however, because of problems encountered in adjusting to postwar markets.

Several rice cooperatives acquired milling facilities and most of them greatly increased their artificial drying and storage facilities. Most of the cooperative cottonseed oil mills origi-

nated after 1936 and all the cooperative soybean oil mills came into the picture after 1940. The critical shortage of protein feeds during and after World War II and the feeling on the part of farmers that their returns could be improved were the principal reasons for the shift to processing.

Cooperative canning of fruits and vegetables continued to grow and cooperatives pioneered in freezing such products. They also made marked progress in prepackaging and merchandising. Development of cooperative wineries in California grew in importance. The first cooperative sugar mill in the United States organized in 1932 in Louisiana and several others started after that time.

Vertical integration of farm supplies by manufacturing has progressed rapidly. By the early 1950's about half the supplies regional cooperatives furnished to their locals were processed in cooperative plants. Regional cooperatives have also processed a high proportion of the seed and mixed feed they have handled. Cooperative fertilizer manufacturing has grown rapidly particularly since World War II. The first cooperative petroleum refinery was built in 1939. Cooperatives acquired a number of additional refineries to help provide adequate sources of supply during World War II. Box shoo mills and insecticide plants were also acquired by cooperatives between 1933 and 1955.

Some associations made progress in going back to the source of supplies. They produced crude oil and made a start in mining phosphate rock for fertilizer. A few also had poultry breeding farms and contracted for hybrid seed corn and seed-potato production. Along with this development in manufacturing and producing raw materials for supplies came the cooperative ownership of various types of transportation facilities.

Facilities and Equipment Modernized.—Farmer cooperatives made much progress in modernizing their facilities, especially after World War

II. They built new warehouses and offices to better handle an increasing volume of business. One of the most significant developments in cooperative grain marketing was the building of storage elevators—both at local and terminal markets. This enabled them to improve their merchandising services as they installed the latest design in grain storage elevators and in grain and rice drying equipment.

Cooperatives took the lead in developing bulk delivery of feed, bulk spreading of fertilizer and lime, and in harvesting and hauling citrus in bulk rather than in field boxes. Regional associations installed laboratories for testing products and supplies. New cooperative feed mills used automatic or pushbutton controls and fertilizer plants largely mechanized.

Cooperatives also replaced old transportation equipment with modern types. Tank trucks for delivering fuel to farms were equipped with mechanical unloading pumps and meters and many had dual pumping systems to prevent mixing of fuels.

Some Merge, Others Coordinate.—Consolidation or merger of inefficient small cooperatives made progress in the dairy and fruit and vegetable fields. Many small cooperatives with inefficient plants merged to get the advantage of larger volume, modern equipment, and more capable management.

Marked progress, however, has been made in coordinating the efforts of both local and regional cooperatives. Some 10 or 12 area or national federations of regional supply cooperatives have formed. The purpose of most was to manufacture certain farm supplies such as fertilizer, feed, or petroleum products. Poultry cooperatives in the Northeast federated to better perform selling and merchandising activities. Dry bean and pea farmers set up a national sales agency.

Two significant developments occurred among marketing cooperatives. The National Grape Cooperative Association, Westfield, N. Y.—a feder-

ated organization—is purchasing facilities and the brand name of Welch Grape Juice Co., Westfield. Fruit and vegetable associations set up American National Foods, Inc., with general offices in New York and Los Angeles. This association is marketing products under the Blue Goose brand.

More farmer cooperatives strengthened their bargaining power by cooperating among themselves, and the trend among farmers to work together in larger areas continued. As a result, in 1955, there were over 2½ times more federations of cooperatives, about 75 percent more centralized organizations, and 25 percent more bargaining associations than at the end of the 1930's.

Broad Services Added.—The rice, fruit and vegetable, and petroleum cooperatives illustrate the shifts to diversified, across-the-board services which occurred between 1933 and 1955 to meet producer needs. The early rice cooperatives formerly functioned only as bargaining associations in selling members' rough rice to millers. In 1955 these cooperatives owned and operated modern rice mills. They had up-to-date packaging machinery which enabled them to sell increasing quantities of rice in consumer packages. They maintained extensive sales organizations, conducted nationwide advertising and sales promotion campaigns, handled farm supplies for members, cooperated in research programs designed to develop new varieties and to discover new uses, and even performed other services such as operating irrigation systems for members.

By 1955 fruit and vegetable associations had added many marketing services for their members. These included grading, packing, marketing, merchandising, canning, freezing, drying fruits and vegetables and concentrating frozen juices.

Other associations negotiated contracts with processors for their members and set minimum prices for raw products. In addition they performed

other services such as handling production and harvesting supplies for members, furnishing or arranging for short-term credit, performing grove caretaking and harvesting operations, and providing terminal facilities.

Petroleum cooperatives gradually undertook the functions of retailing, wholesaling, transporting, refining, and producing to supply their farmers with fuels at minimum costs. From owning land for producing feed for their horses and mules, farmers in 1955 owned cooperative facilities for producing and refining fuels for their tractors and trucks.

Auditing and Accounting Improved.—Continued growth in the size of agricultural cooperatives and the complexities of their operations, coupled with recent changes in Federal income tax statutes, have emphasized the need and importance of cooperative accounting and auditing services. Many of the large centralized and federated types of cooperatives, whose activities extend into many



New bulk feed truck of Delaware Valley Farmers Cooperative Association, Inc., Flemington, N. J. This truck, developed at the suggestion of farmers co-ops, has metal tubes to carry feed to great heights or from distances.

fields, have of necessity developed efficient accounting systems and auditing services. But with a large segment of the smaller independent marketing and service cooperatives, accounting and auditing continue to be constant problems.

Regional cooperatives like the Cooperative G. L. F. Exchange, Inc., Ithaca, N. Y., and Southern States Cooperative, Inc., Richmond, Va., have many stores, dealer agencies, and branches. They have developed uniform systems of accounts for their locals and accounting control is centralized.

Consumers Cooperative Association at Kansas City is a federation of local farmer cooperatives. This organization provides an accounting and auditing department to assist local associations with their problems. Each local, however, is an independent association and is not required to subscribe to the accounting and auditing services provided by the federation.

Many of the regional Farm Bureau and Farmers' Union cooperatives have developed accounting and auditing departments to service their county and local association members. The Illinois Agricultural Association, Chicago, for many years has had a separately incorporated Illinois Agricultural Auditing Association in which participating members buy shares of stock. The service is operated on a cost basis. Other groups of cooperatives have set up cooperative auditing associations, or have arranged to use private auditing services specializing in cooperative work.

Over the years local cooperatives have shown marked progress in their business records. The accounting and auditing services developed and provided by the regionals and other firms have been of substantial value in improving business and financial practices.

Agricultural Cooperatives Have Legal Foundations

By Raymond J. Mischler

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COOPERATIVES have had a considerable legal history. They now operate under well-defined Federal and State statutes and their Federal income tax status has been defined by statute and regulations.

Federal Statutes Confer Rights

THE FEDERAL statutes do not contain a general definition of an agricultural cooperative association. In the Capper-Volstead Act, the Agricultural Marketing Act of 1929, as amended, and the Internal Revenue Code, however, agricultural cooperative associations are defined for the special purposes of such Acts. These definitions, although similar in some respects, are not identical. In addition, such associations are mentioned, but not defined, in several other Federal statutes.

The Capper-Volstead Act ⁹ was enacted to resolve any doubt regarding the right of producers of agricultural products to unite and act through a cooperative association in handling and marketing their products without violating the antitrust laws.

The original Sherman Antitrust Act ¹⁰ did not contain any reference to cooperative associations. When

this Act was amended by the Clayton Act ¹¹ in 1914, section 6 of the Act ostensibly assured labor and agricultural associations of the right to exist without violating the antitrust laws. But this section referred only to non-stock associations and was generally not considered a guarantee to farmers of the right to form marketing cooperatives.

Thus, the Capper-Volstead Act was passed to make it clear that the elimination of competition between individual agricultural producers, which occurs when they act together through a cooperative association, would not in and of itself constitute an antitrust violation.

The Capper-Volstead Act by its terms refers exclusively to the marketing functions of farmers' cooperatives, and does not include purchasing or service functions. Moreover, the Act confers no special immunity on a cooperative association which would not

⁹ Approved February 22, 1922; 7 U. S. C. 291-292.

¹⁰ 15 U. S. C. 1, *et seq.*

¹¹ 15 U. S. C. 12.

exist for any other business entity under like conditions, and the United States Supreme Court has held that certainly this is true in the cooperative's dealings with third persons.¹²

In order for an agricultural cooperative to come within the Capper-Volstead Act, the association must be composed of "persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairy-men, nut or fruit growers;" must operate on a mutual basis for the benefit of its members thereof as producers; must conform to one or both of these requirements: (1) No member of the association may have more than one vote or (2) the association may not pay dividends on stock or membership capital in excess of 8 percent per year; and must not deal in the products of nonmembers to an amount greater in value than such as are handled by it for members.

When the Secretary of Agriculture has reason to believe that an association within the scope of the act monopolizes or restrains trade in interstate or foreign commerce to such an extent that the price of any agricultural product is unduly enhanced as a result, he may then start an administrative proceeding against the association. If, following a hearing, he finds that the facts are as suspected he may issue an order directing the association to cease and desist from monopolization or restraint of trade. The Attorney General may institute court proceedings to enforce the Secretary's order.

The Agricultural Marketing Act of 1929, as amended,¹³ defines a "cooperative association" which is eligible to borrow from a bank for cooperatives.¹⁴

¹² *United States v. Borden Company*, 308 U. S. 188.

¹³ 12 U. S. C. 1141j.

¹⁴ The Agricultural Marketing Act definition is also used in determining the cooperative associations which are exempt from certain requirements of the Federal Motor Carrier Act of 1935, 49 U. S. C. 301, 303.

This definition follows the Capper-Volstead Act definition on the requirement that the association be composed of agricultural producers, the ratio of nonmember business to member business, and the limitation of dividends on stock or voting rights or both. However, the definition is much broader than the one in the Capper-Volstead Act in that it covers cooperative purchasing associations and those engaged in furnishing "farm business services." It also provides that all business transacted by any cooperative association for or on behalf of the United States shall be disregarded in applying the nonmember-to-member business ratio.

The Internal Revenue Code¹⁵ contains special provisions on the tax treatment of certain farmer associations which qualify thereunder. The requirements for qualification differ in some respects from those contained in the two definitions discussed previously. Since this subject is covered in more detail in the next section of this publication, it will not be discussed further here.

The Cooperative Marketing Act of 1926¹⁶ directed the establishment of a division in the Department of Agriculture to "render service to associations of producers of agricultural products, and federations and subsidiaries thereof, engaged in the cooperative marketing of agricultural products, including processing, warehousing, manufacturing, storage, the cooperative purchasing of farm supplies, credit, insurance, and other cooperative activities."

Under the Act of 1926, the U. S. Department of Agriculture, through the Farmer Cooperative Service, is authorized:

1. To acquire, analyze, and disseminate economic, statistical, and historical information, regarding the progress, organiza-

¹⁵ 26 U. S. C. 501 (c) (15) and (16), 521-522.

¹⁶ 7 U. S. C. 451-457.

tion and business methods of cooperative associations in the United States and foreign countries.

2. To conduct studies of the economic, legal, financial, social, and other phases of cooperation, and publish the results thereof. Such studies shall include the analyses of the organization, operation, financial, and merchandising problems of cooperative associations.

3. To make surveys and analyses if deemed advisable of the accounts and business practices of representative cooperative associations upon their request; to report to the association so surveyed the results thereof; and with the consent of the association so surveyed to publish summaries of the results of such surveys, together with similar facts, for the guidance of cooperative associations and for the purpose of assisting cooperative associations and developing methods of business and market analysis.

4. To confer and advise with committees or groups of producers, if deemed advisable, that may be desirous of forming a cooperative association and to make an economic survey and analysis of the facts surrounding the production and marketing of the agricultural product or products which the association, if formed, would handle or market.

5. To acquire from all available sources information concerning crop prospects, supply, demand, current receipts, exports, imports, and prices of the agricultural products handled or marketed by cooperative associations, and to employ qualified commodity marketing specialists to summarize and analyze this information and disseminate the same among cooperative associations and others.

6. To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

7. To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation.

Brief references to other important Federal statutes which specifically mention farmer cooperatives follow:

The Packers and Stockyards Act,¹⁷ enacted in 1921, provides for public regulation of commission men on stockyards and requires that the lawful rates established be collected and retained, except that "this shall not prohibit a cooperative association of

producers from bona fide returning to its members, on a patronage basis, its excess earnings on their livestock, subject to such regulations as the Secretary (of Agriculture) may prescribe."

Section 4 of the Robinson-Patman Act,¹⁸ enacted in 1936, provides that limitations on price discriminations shall not prevent "a cooperative association from returning to its members, producers, or consumers the whole, or any part of, the net earnings or surplus resulting from its trading operations, in proportion to their purchases or sales from, to, or through the association."

Several statutes have dealt with the right of cooperative associations of producers of agricultural products to have duly authorized representatives admitted to boards of trade and exchanges on which agricultural products are bought and sold.¹⁹ These statutes have also provided for recognition of the distinct character of patronage refunds of cooperatives in the rules of such boards or exchanges.

The Securities Act of 1933 exempts securities issued by a farmer cooperative association which meets the definition contained in certain sections of the Internal Revenue Code.²⁰

The Agricultural Marketing Agreement Act of 1937²¹ provides:

The Secretary, in the administration of this chapter, shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress, and as will tend to promote efficient methods of marketing and distribution.

Although additional statutes are in effect, the ones referred to clearly show the Congressional policy toward farmer cooperatives.

¹⁸ 15 U. S. C. 13b.

¹⁹ Grain Futures Act of 1922, amended and name changed to Commodity Exchange Act, 7 U. S. C. 1; Act of March 4, 1927, 15 U. S. C. 431-433.

²⁰ 15 U. S. C. 77c (a) (5).

²¹ 7 U. S. C. 610 (b) (1).

¹⁷ 7 U. S. C. 207 (f).

Federal Income Tax Status Is Defined

THE Internal Revenue Code of 1954, as enacted on August 16, 1954, contains special provisions on the tax treatment of certain farmers associations which qualify as provided thereunder. Those qualifying may operate so as to have little or no taxable income. Associations which do not so qualify (and more than half of the existing associations do not) are liable for income tax to the extent that their receipts are sufficient to permit the payment of a return on capital and to the extent that they have receipts which they are not under a contractual obligation to return to patrons.

This brief discussion will point out some of the more important phases of the statutes and regulations on this subject.

For Marketing and Farm Supply Cooperatives.—The pertinent sections of the Internal Revenue Code of 1954 relating to marketing and farm supply associations are as follows:

SEC. 521. Exemption of farmers' cooperatives from tax—

(a) **Exemption from tax.**—A farmers' cooperative organization described in subsection (b) (1) shall be exempt from taxation under this subtitle except as otherwise provided in section 522. Notwithstanding section 522, such an organization shall be considered an organization exempt from income taxes for purposes of any law which refers to organizations exempt from income taxes.

(b) **Applicable rules—**

(1) **Exempt farmers' cooperatives.**—The farmers' cooperatives exempt from taxation to the extent provided in subsection (a) are farmers', fruit growers', or like associations organized and operated on a cooperative basis (A) for the purpose of marketing the products of members or other producers, and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (B) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses.

(2) **Organizations having capital stock.**—Exemption shall not be denied any such association because it has capital stock, if the dividend rate of such stock is fixed

at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the association, upon dissolution or otherwise, beyond the fixed dividends) is owned by producers who market their products or purchase their supplies and equipment through the association.

(3) **Organizations maintaining reserve.**—Exemption shall not be denied any such association because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose.

(4) **Transactions with nonmembers.**—Exemption shall not be denied any such association which markets the products of nonmembers in an amount the value of which does not exceed the value of the products marketed for members, or which purchases supplies and equipment for nonmembers in an amount the value of which does not exceed the value of the supplies and equipment purchased for members, provided the value of the purchases made for persons who are neither members nor producers does not exceed 15 percent of the value of all its purchases.

(5) **Business for the United States.**—Business done for the United States or any of its agencies shall be disregarded in determining the right to exemption under this section.

SEC. 522. Tax on farmers' cooperatives—

(a) **Imposition of tax.**—An organization exempt from taxation under section 521 shall be subject to the taxes imposed by section 11 or section 1201.

(b) **Computation of taxable income—**

(1) **General rule.**—In computing the taxable income of such an organization there shall be allowed as deductions from gross income (in addition to other deductions allowable under this chapter)—

(A) amounts paid as dividends during the taxable year on its capital stock, and

(B) amounts allocated during the taxable year to patrons with respect to its income not derived from patronage (whether or not such income was derived during such taxable year) whether paid in cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the dollar amount allocated to him. Allocations made after the close of the taxable year and on or before the 15th day of the 9th month following the close of such year shall be considered as made on the last day

of such taxable year to the extent the allocations are attributable to income derived before the close of such year.

(2) Patronage dividends, etc.—Patronage dividends, refunds, and rebates to patrons with respect to their patronage in the same or preceding years (whether paid in cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the dollar amount of such dividend, refund, or rebate) shall be taken into account in computing taxable income in the same manner as in the case of a cooperative organization not exempt under section 521. Such dividends, refunds, and rebates made after the close of the taxable year and on or before the 15th day of the 9th month following the close of such year shall be considered as made on the last day of such taxable year to the extent the dividends, refunds, or rebates are attributable to patronage occurring before the close of such year.

Under these provisions, if a cooperative can meet the requirements specified in section 521, it can qualify for the form of tax treatment provided in section 522. It will be seen that the chief requirements for such qualification are these:

1. It must be a farmer, fruit grower, or like association organized and operated on a cooperative basis to (a) market the products of members or other producers, or (b) purchase supplies and equipment for the use of members or other persons.

2. Substantially all its stock (other than preferred nonvoting stock) must be owned by producers marketing products or purchasing supplies through it if it is organized on a capital share basis.

3. The dividend rate on capital shares must not exceed the legal rate of interest in the State of incorporation, or 8 percent a year, whichever is the greater, based upon the value of the consideration for which the capital share was issued.

4. Financial reserves are restricted to those required by State laws or those that are reasonable and necessary, and must be allocated to patrons unless the cooperative includes them in computing taxable income.

5. The business with nonmembers may not exceed 50 percent of the co-

operative's total business, and the purchasing for persons who are neither members nor producers may not exceed 15 percent of the cooperative's total purchasing.

6. Nonmembers are to be treated the same as members in such business transactions as pricing, pooling, or payment of sales proceeds, in prices of supplies and equipment, in fees charged for services, or in the allocation of patronage refunds to the accounts of patrons.

7. Permanent records of the patronage and equity interests of all members and nonmembers must be maintained.

8. The legal structure of the organization must be cooperative in character and contain no provisions inconsistent with these requirements, and the association must be actually operated in the manner and for the purposes outlined in the requirements.

In computing its net income, an organization qualifying under section 521 may deduct—

1. Ordinary and necessary business expenses as authorized by law;

2. The amounts paid during the taxable year as dividends on capital stock; and

3. The amounts paid to patrons, or allocated and disclosed to each patron, with respect to income derived from transactions with nonpatrons (as, for example, rents received, investment income, gain on sale of depreciable property and capital assets, income from business done with the United States Government, etc.).

Such an association also may exclude from gross income patronage dividends, refunds, and rebates paid to patrons, or allocated and disclosed to each patron, if made on transactions with such patrons, within the taxable year or within 8½ months after the close of such taxable year. These, the law states, "shall be taken into account in computing net income in the same manner as in the case of a cooperative organization not exempt."

The regulations of the Internal Revenue Service issued June 3, 1953, make

it clear that the allocation may be excluded provided it "is made in fulfillment and satisfaction of a valid obligation of such association to the patron, which obligation was in existence prior to the receipt by the cooperative association of the amount allocated." This obligation may be in the cooperative's organization papers, marketing agreements, or any other valid contractual form.

These regulations of the Internal Revenue Service also state that amounts paid or allocated pursuant to a prior obligation as above provided must be reported by the patron at face value in the taxable year of receipt or allocation, except where the patron's business income is not affected.

For Corporations Financing Crop Operations.—Paragraph (16) of section 501 (c) of the Internal Revenue Code of 1954, as enacted, provides for exemption from Federal income tax of certain corporations set up for the purpose of financing crop operations by organizations which qualify under section 521. It reads as follows:

(16) Corporations organized by an association subject to part III of this subchapter or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 percent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, on dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof; nor shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose.

For Mutual Insurance Companies or Associations.—Farmer mutual insurance companies or associations meeting the provisions set forth in par-

agraph (15) of section 501 (c) of the Internal Revenue Code may qualify for exemption. This paragraph (15) reads as follows:

(15) Mutual insurance companies or associations other than life or marine (including interinsurers and reciprocal underwriters) if the gross amount received during the taxable year from interest, dividends, rents, and premiums (including deposits and assessments) does not exceed \$75,000.

Cooperatives Must Do Certain Things.—A farmer cooperative cannot qualify under section 521 until it has been granted a "letter of exemption." It may obtain such a letter by filing an application on form 1028 with the District Director of Internal Revenue Service for the district in which its principal office or place of business is located. To claim exemption under paragraphs (15) and (16) of 501 (c), quoted above, the organization must file the information required by the applicable sections of the regulations of the Internal Revenue Service.

Once the letter is granted it is not necessary to refile unless substantial changes are made in the organization or its activities. Any such changes are required to be reported. An association qualifying under section 521 must state in its annual return on form 990-C any such changes not previously reported. Associations exempt under paragraphs (15) and (16) of section 501 (c) likewise must report such changes on their annual information return, form 990.

Exemption continues only so long as the legal setup and the operating methods are in accord with the requirements of the applicable statute and the regulations of the Internal Revenue Service. Thus a change in status can occur even though the letter of exemption is not withdrawn or canceled by the Revenue Service. Failure to maintain the qualified status will subject the association to the possible assessment and payment of taxes and penalties for the period during which the Commis-

sioner of Internal Revenue determines that the association was not qualified.

Annual returns by farmer cooperatives taxable under section 522 are required to be made on form 990-C and to be filed by the 15th day of the 9th month following the close of the taxable (calendar or fiscal) year. Tax returns on form 1120 by cooperative corporations *not* taxable under section 522 are required to be filed on the 15th day of the 3d month following the close of the corporation's taxable year. Information returns on form 990 by organizations exempt under section 501 (c) are required to be filed annually by the 15th day of the 5th full calendar month following the close of the organization's annual accounting period.

A cooperative corporation may allocate amounts as patronage dividends, rebates, or refunds (whether in

cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the amount of such dividend, refund, or rebate) of \$100 or more in any calendar year. Any such corporation is required to file annual information returns on Internal Revenue forms 1096 and 1099. This requirement applies to all kinds of farmer associations, except rural electrification cooperatives and mutual insurance companies qualifying under section 501 (c), above.

An association qualifying under section 521 is exempt from payment of a documentary stamp tax on the issue or transfer of shares or certificates of stock and certificates of indebtedness (section 4382 (a) (3) of the Internal Revenue Code of 1954).



Farmers Market Cooperatively

by J. K. Samuels

FARMER cooperatives in 1954 handled at some stage in the marketing process approximately 22 percent of the total output of agricultural products. The term marketing generally includes the various functions or services essential in transferring goods from the producer to the consumer. The more important of these functions are assembling, grading, standardizing, packaging, transporting, storing, financing, risk-taking,

processing, merchandising, and selling.

Marketing cooperatives usually specialize in certain marketing functions. An association may perform only one of the above functions but usually several are involved. The present tendency is for associations to increase the number of marketing services performed for their members. Some cooperatives now perform all the services necessary in getting products from farmer to consumer.

Dates to Colonial Times

COOPERATIVE marketing in the United States is considered to have begun early in the 19th century, although it is reported that cooperative marketing of livestock dates back to colonial days. Early associations usually were composed of small local groups scattered throughout the Northeastern States, the Cotton Belt, the Upper Mississippi Valley and the Far West. Some of the earliest cooperatives were formed to manufacture cheese and butter. In the mid-1800's grain and livestock farmers organized cooperatives. A fruit marketing cooperative was begun in New Jersey in 1867.

The period from 1867 into the 20th century saw extensive development of cooperative marketing stimulated by the Grange and others such as Farmers Alliance, American Society of Equity, Farmers Union, and American Farm Bureau Federation.

Toward the end of the 19th century and into the 20th, local associations began to federate and undertake terminal marketing operations to provide more services to farmers although co-

operative marketing was still essentially a local processing, assembling or selling operation.

The early 1920's was a period of accelerated development of marketing cooperatives. Of the more than 7,000 associations organized from 1910 to 1920 almost two-fifths marketed grain, a fifth dairy products, a sixth livestock and a seventh fruits and vegetables. A number of cooperative meat slaughtering and packing plants appeared in Wisconsin in this period.

In 1920 farmers were given the slogan "orderly commodity marketing." It was proposed that large commodity associations be formed with highly centralized control. These cooperatives would serve farmers of producing regions or large subdivisions of such regions. A large number of these "commodity associations" were formed. Some withstood the test of time but many were shortlived because they could not live up to expectations.

Since the period of the 1920's, marketing cooperatives have concentrated on developing efficient operations and effective merchandising and sales ac-

Table 1.—Number and estimated membership of farmer marketing co-operatives by geographic divisions, 1952–53 ¹

Geographic division	Associations listed		Estimated membership	
	Number	Percent	Number	Percent
West North Central.....	2, 766	42. 6	1, 314, 004	31. 0
East North Central.....	1, 303	20. 1	1, 019, 906	24. 0
West South Central.....	719	11. 1	382, 917	9. 0
Pacific.....	627	9. 6	165, 955	3. 9
Mountain.....	343	5. 3	174, 812	4. 1
South Atlantic.....	284	4. 4	496, 252	11. 7
Middle Atlantic.....	234	3. 6	143, 784	3. 4
East South Central.....	143	2. 2	509, 498	12. 0
New England.....	70	1. 1	39, 447	. 9
Total.....	6, 489	100. 0	4, 246, 575	100. 0

¹ Preliminary.

tivities, rather than building on the quicksands of monopoly control and price fixing. They have diversified operations and have provided additional services to producers. As a result, marketing cooperatives have grown steadily in importance. Farmers have found that they must

keep their marketing associations flexible. Cooperatives that haven't changed with the times and farmers' needs have passed out of existence. Those that provide up-to-date services for farmers and the community have maintained a place in the distribution of farm products.

Figures Tell Story

DATA compiled from available records show there were 1,167 active marketing associations in 1900. This number increased year by year until 1923 when there were approximately 12,499.²² Since 1923 newly formed associations have not been numerous enough to counterbalance discontinuances. However, the active associations on the average have increased their business volume and membership. There were over 6,000 active mar-

keting associations at the close of the 1952–53 fiscal year. About 63 percent of all marketing associations were in the 12 North Central States; 17.7 percent were in 16 Southern States. Another 14.9 percent were in the 11 Mountain and Pacific States. Only 3.6 percent were in the Middle Atlantic States and 1.1 percent in the New England States (table 1). The 10 States reporting the largest number of associations were: Minnesota, 969 associations; Wisconsin, 572; Iowa, 569; Texas, 437; California, 418; North Dakota, 404; Illinois, 351; Nebraska, 253; Kansas, 251; and South Dakota, 220. About a third of the marketing associations were primarily engaged in marketing grain, including soybeans and soybean products, for their pa-

²² ELSWORTH, R. H., AND WANSTALL, G., FARMERS' MARKETING AND PURCHASING CO-OPERATIVES, 1863–1939. Farm Credit Admin. Misc. Rept. 40. 36 pp. 1941. See table 14, p. 33. Data on which report was based are more nearly complete than it is possible to obtain from a single survey. [Out of print.]

trons. Almost 30 percent were dairy associations and 12 percent handled fruits and vegetables. Cotton and livestock associations each represented slightly more than 8 percent of the total number of marketing associations.

Almost 55 percent of the membership of the active marketing associations during the 1952-53 operating period was in the 12 North Central States (table 1). About 33 percent of the membership was in the 16 Southern States and 8 percent in the Pacific and Mountain States. The New England and Middle Atlantic States combined had less than 5 percent of total membership.

The 10 States leading in membership for marketing associations were: Minnesota, 376,385; Kentucky, 300,787; Ohio, 265,097; Iowa, 245,936; Illinois, 239,815; North Carolina, 229,582; Indiana, 198,362; Wisconsin, 197,757; Texas, 182,636; and North Dakota, 172,711.

Livestock and grain associations had the largest membership. Livestock associations accounted for 22.2 percent, and grain associations for 21.3 percent

(table 2). Dairy associations had slightly over 19 percent and tobacco associations over 17 percent of the total membership. Cotton associations accounted for 9 percent of the total.

The gross value of farm products marketed by cooperatives in 1952-53 amounted to nearly \$9.3 billion. This is the largest volume so far in the history of farmer cooperatives. The net value of this marketing business after eliminating duplication arising from business done between cooperatives amounted to about \$7.4 billion. This net value represents the value at the first level at which cooperatives transact business for farmers. It does not include terminal market sales for local cooperatives made by regional associations (fig. 3).

The 12 North Central States had a combined volume amounting to almost 53 percent of the total net value (table 3). The Pacific States accounted for about 14 percent of the net volume. The remaining six divisions accounted for approximately one-third of the net value of all farm products marketed in 1952-53.

Figure 3.—Estimated value of farm products marketed for patrons by geographic divisions, 1952-53.*

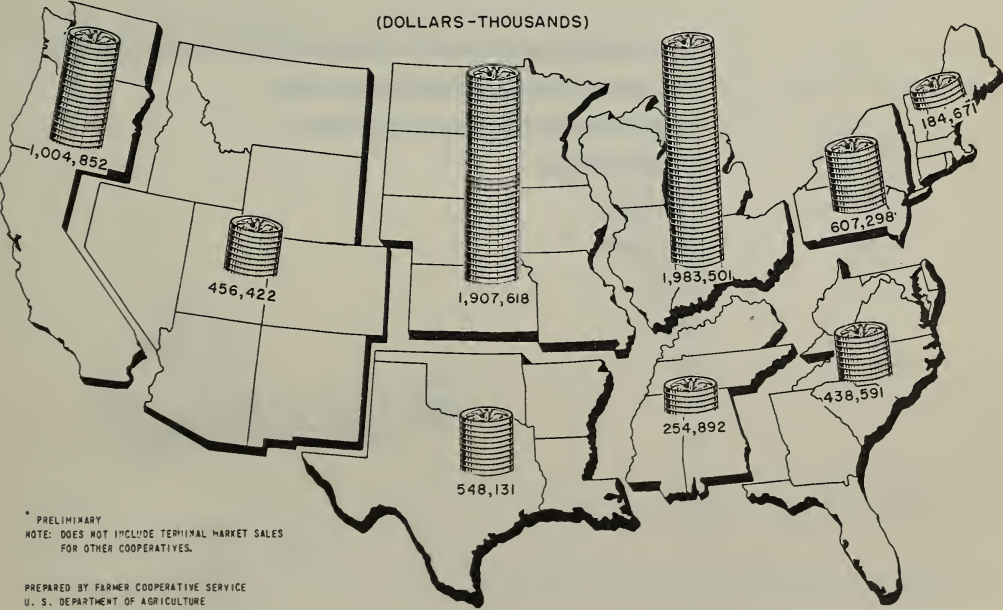


Table 2.—Number and estimated membership of farmer marketing co-operatives by specified commodity groups, 1952-53 ¹

Commodity group (classified according to major product handled)	Associations listed		Estimated membership	
	Number	Percent	Number	Percent
Beans and peas (dry edible)	15	0.2	6,954	0.2
Cotton and cotton products	539	8.3	385,340	9.0
Dairy products	1,917	29.5	811,810	19.1
Fruits and vegetables	776	12.0	133,782	3.2
Grain, soybeans, soybean meal and oil	2,172	33.5	906,058	21.3
Livestock and livestock products	524	8.1	940,913	22.2
Nuts	40	.6	35,241	.8
Poultry products	148	2.3	127,691	3.0
Rice	57	.9	11,118	.3
Sugar products	64	1.0	32,989	.8
Tobacco	28	.4	727,573	17.1
Wool and mohair	144	2.2	110,622	2.6
Miscellaneous	65	1.0	16,484	.4
Total marketing	6,489	100.0	4,246,575	100.0

¹ Preliminary.

The first 10 States and the net value of the farm products marketed co-operatively in them in 1952-53 were: California, \$680 million; Illinois, \$569 million; Minnesota, \$526 million; Wisconsin, \$487 million; Iowa, \$435

Figure 4.—Estimated marketing business of farmers' cooperatives by specified commodity groups, 1952-53.¹

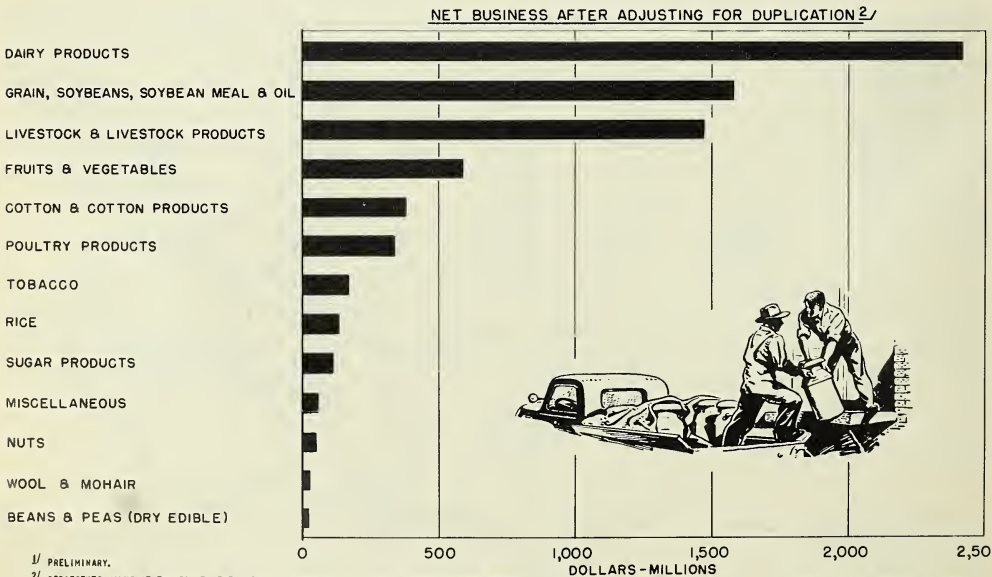


Table 3.—Estimated value of farm products marketed for patrons, by geographic divisions, 1952–53 ¹

Geographic division	Estimated value of farm products marketed for patrons			
	Gross	Percent	Net after adjusting for duplication ²	Percent
	<i>\$7,000</i>		<i>\$7,000</i>	
West North Central.....	2, 464, 036	26. 5	1, 907, 618	25. 8
East North Central.....	2, 370, 090	25. 5	1, 983, 501	26. 9
Pacific.....	1, 448, 142	15. 6	1, 004, 852	13. 6
Middle Atlantic.....	751, 730	8. 1	607, 298	8. 2
West South Central.....	716, 485	7. 7	548, 131	7. 4
Mountain.....	586, 229	6. 3	456, 422	6. 2
South Atlantic.....	499, 115	5. 4	438, 591	5. 9
East South Central.....	266, 965	2. 9	254, 892	3. 5
New England.....	189, 349	2. 0	184, 671	2. 5
Total.....	9, 292, 141	100. 0	7, 385, 976	100. 0

¹ Preliminary.

² Does not include terminal market sales for local cooperatives made by regional associations. Represents the value at the first level at which cooperatives transact business for farmers.

Table 4.—Estimated marketing business in specified commodity groups, 1952–53 ¹

Commodities	Number of associations handling	Gross business		Net business after adjusting for duplication ²	
		<i>\$1,000</i>	<i>Percent</i>	<i>\$1,000</i>	<i>Percent</i>
Beans and peas (dry edible).....	70	40, 163	0. 4	33, 177	0. 4
Cotton and cotton products.....	568	420, 985	4. 5	375, 449	5. 1
Dairy products.....	2, 112	2, 851, 102	30. 7	2, 418, 315	32. 7
Fruits and vegetables.....	810	947, 329	10. 2	589, 556	8. 0
Grains, soybeans, soybean meal and oil.....	2, 748	2, 415, 778	26. 0	1, 584, 885	21. 5
Livestock and livestock products..	671	1, 576, 874	17. 0	1, 476, 120	20. 0
Nuts.....	85	90, 288	1. 0	55, 216	. 7
Poultry products.....	696	380, 281	4. 1	336, 218	4. 6
Rice.....	57	176, 423	1. 9	135, 654	1. 8
Sugar products.....	64	119, 895	1. 3	119, 895	1. 6
Tobacco.....	30	168, 307	1. 8	168, 307	2. 3
Wool and mohair.....	250	39, 398	. 4	35, 465	. 5
Miscellaneous ³	266	65, 318	. 7	57, 719	. 8
Total.....	4 7, 208	9, 292, 141	100. 0	7, 385, 976	100. 0

¹ Preliminary.

² This figure represents value at the first level at which cooperatives transact business for farmers. It does not include terminal market sales for local associations.

³ Includes forest products, fur pelts, hay, hops, nursery stock, tung oil, and other farm products not separately classified.

⁴ Because many associations are engaged in more than one type of business, these totals are less than the number that would be obtained by adding the number of associations handling individual items.

million; Ohio, \$434 million; New York, \$337 million; Texas, \$320 million; Indiana, \$274 million; and Kansas, \$226 million.

Four commodity groups represented a little more than 82 percent of the total net value of farm products marketed by an estimated 7,208 associations in 1952-53 (fig. 4 and table 4). These four groups were: Dairy products, \$2,418 million; grain, soybeans, soybean meal and soybean oil, \$1,585 million; livestock and livestock products, \$1,476 million; and fruits and vegetables, nearly \$590 million.

Other commodities marketed during 1952-53 were: Beans and peas (dry edible), cotton and cotton products, nuts, poultry products, rice, sugar products, tobacco, wool and mohair, and miscellaneous products, including forest products, fur pelts, hay, hops, nursery stock, and tung oil.

Each of the major commodity groups marketed by farmer cooperatives is discussed separately in the following pages to show the variations in organization setup, methods of operation, and status.

Cotton and Oilseed Producers Use Cooperatives

by Otis T. Weaver

PRODUCERS of cotton and oilseeds own and operate some 600 cooperatives to process and market these crops. These associations reported nearly \$400 million volume of business for 1952-53.

Organized First in 1870's²³

The first serious effort by producers to develop cooperative marketing of cotton developed soon after the Civil War. Numerous organizations were started during the half century from 1870 to 1920. Several of these attempted to cover most of the cotton belt. Some organized on a State basis; others were community organizations.

The Grange, or Patrons of Husbandry, sponsored a cotton marketing program in the early 1870's. Plans for collective selling of cotton were put into effect by State Granges of Alabama, Georgia, Mississippi, Louisiana, and Texas. Established cotton firms

were appointed as bonded sales agents to handle cotton on a commission basis. The period of actual marketing under this plan was brief. Following 1875, the agency system was discontinued.

The Farmers Alliance was active in promoting cotton marketing by farmers during the period between 1875 and 1890. Its principal cotton marketing activities were started in Texas but later spread to other States including Alabama, Georgia, Mississippi, and Oklahoma. Growers were organized in local alliances, and these locals grouped in county alliances.

The Farmers Alliance Exchange, located in Dallas, was organized in 1887 to market cotton and other crops and purchase farm supplies. Cotton samples were assembled in 25-bale lots of like quality by the business agent of county alliances and sent to the State Exchange for display and sale. The Exchange claimed to have handled more than a million bales of cotton during its first year with benefits to growers of more than \$3 million.

A major problem of the Alliance was that growers were financed by credit merchants who required that this cotton be sold to them. The Exchange attempted to finance growers but was

²³ GATLIN, G. O. COOPERATIVE COTTON MARKETING. U. S. Dept. Agr. Bul. 1392. 1926. HERRMANN, O. W. EARLY DEVELOPMENTS IN COOPERATIVE COTTON MARKETING, Farm Credit Admin. Circ. C-101. 1936.

not successful because of limited capital.

In 1887 the Farmers Alliance united with a number of contemporary farm organizations and formed the National Farmer Alliance and Industrial Union. As the Alliance became larger and more widespread its energies were shifted from marketing toward political activities. Political reverses in 1894 destroyed much of the influence of the Alliance.

Between 1885 and 1905 a number of organizations were formed to bring about improved conditions for cotton growers. The Southern Cotton Association was typical of several such organizations. Efforts of these organizations were directed primarily toward increasing cotton prices by campaigns for acreage reduction and holding cotton off the market.

The Farmer's Educational and Co-operative Union became interested in cotton marketing problems shortly after its organization in 1902. Initial efforts were in conducting campaigns for limiting the acreage of cotton as a means of influencing price. The Union advocated holding and storing

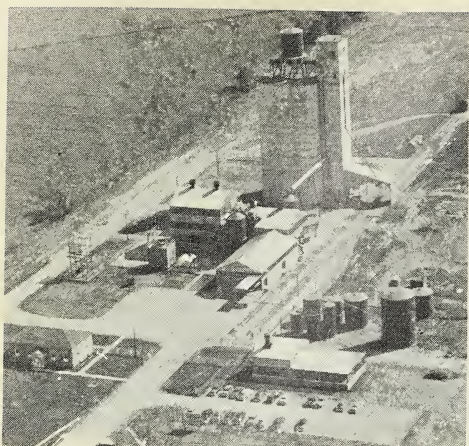
cotton to reduce the amount marketed during any given harvesting season.

This program for storing led into warehousing and many cotton warehouses owned by local groups of farmers were organized. Since there were no cooperative statutes at that time, these warehouse companies were chartered under general corporation laws of the several States. Voting control and dividends were on the basis of shares owned. Sales and transfer of stock were not restricted. As a result, many successful associations slipped from grower control. Thus growers lost not only associations that failed but successful ones also.

Some 1,500 of these farmers' warehouses were reported to have been in operation in 1909, principally in Texas, Mississippi, and Georgia. In addition to the warehouse companies, hundreds of farmer-owned stock company gins were organized between 1905 and 1919, mostly in Texas and Oklahoma. The Farmers Union sponsored many of these but others were started by independent local groups of farmers. Despite organizational weaknesses, several of these associations survived and were later reorganized under cooperative statutes.



One of the five major services of cotton cooperatives is milling cottonseed oil. Plains Cooperative Oil Mill, Lubbock, Tex., processes more than 100,000 tons of cottonseed each year for 65 member co-op cotton gins.



Nine 135-foot high storage bins of North Iowa Co-op Processing Association are a landmark in the Mason City area. These huge bins have a capacity of some 350,000 bushels.

Interest of cotton growers in co-operatives was revived shortly after the First World War. The American Cotton Association, a southwide association of farmers, bankers, merchants, warehousemen, and others interested in the welfare of cotton farmers held its first annual meeting at Montgomery, Ala., in April 1920. A committee was appointed to work out and recommend plans for cooperative marketing among cotton producers. This interest was further stimulated by a decline in the price of cotton from above 40 cents per pound in June 1920 to about 10 cents by the following spring.

Present Era Began in 1920's

The current pattern of organization of cotton processing and marketing co-operatives developed following the enactment of cooperative marketing statutes by several of the cotton producing States after World War I. A cooperative gin organized at Olustee, Okla., in 1919, was reported to be the first incorporated under a cooperative marketing statute.

The Oklahoma Cotton Growers Association, organized in 1921, was the first of some 19 State or regional cotton marketing associations organized

through 1927. More than half of these, or their reorganized successors, were still in operation in 1954. For several years during the middle 1920's most of these State and regional associations were federated in a national sales organization. Each individual association later took over its own selling operations. A few of the associations still maintain this federation for hedging and market information service.

The first of the cooperative cottonseed oil mills now in operation formally organized as a cooperative in 1922. However, this association at Minter City, Miss., had previously operated for 15 years with many cooperative features. Fourteen other cooperative oil mills were organized between 1922 and 1950. All but one of these were still in operation in 1954. Cooperative cotton compresses are the youngest in the family of cotton cooperatives. Most of these have been organized and built since World War II.

The first soybean processing cooperative was organized at Henderson, Ky., in 1940. Most of the other soybean cooperatives started during World War II as a means of increasing their supply of high-protein feeds.

Cotton cooperatives have developed around five major services. These are: Ginning and cottonseed marketing; marketing the baled lint; cottonseed oil milling and marketing of products; compressing and warehousing baled cotton; and planting-seed multiplication and distribution.

Oilseeds, other than cottonseed, processed or marketed by cooperatives include soybeans, flaxseed, and tung nuts. All these oilseed crops have more in common than is generally recognized. Oil extraction methods and facilities are similar for most of them. Their oils and some other products are competitive for certain uses. Cotton and soybeans compete for land use in some areas of the Cotton Belt. Both compete with flaxseed in southeastern California.

Ginning Groups Most Numerous

Ginning associations are by far the most numerous type of cotton-grower cooperatives. In 1954, more than 550 of these associations operated some 600 gin plants in a dozen cotton States from Florida to California. More than half are in Texas. A few associations operate as many as 4 plants, several associations have 3 plants, and quite a number have 2. In practically every case, however, the association is strictly local and serves a relatively small community. Membership varies from as few as 10 growers to as many as several hundred. However, most of these associations have between 50 and 150 members.

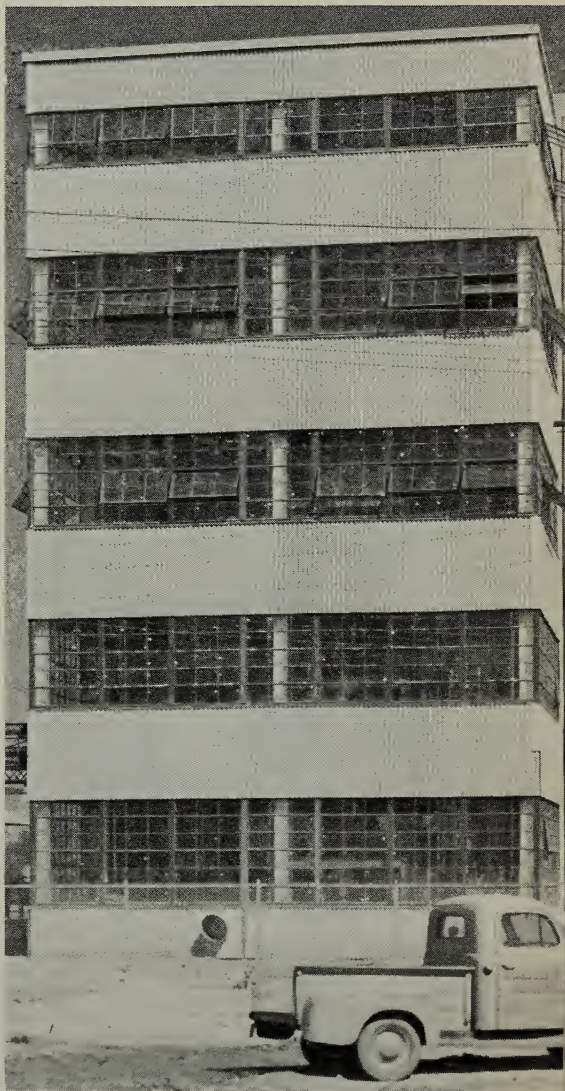
Cooperative gins are all somewhat alike in their form of organization and method of operation. They use both stock and nonstock capital structures, though these are not as different as the terms imply. Nonstock associations use membership certificates which carry essentially the same rights as common stock in stock associations. In both types, nonvoting investment capital is represented by preferred stock, various certificates, or allocated capital reserves.

In most associations membership is open to any patron. Generally, non-members share in patronage refunds on the same basis as members. Cooperative gins usually charge competitive rates for ginning services and pay prevailing prices for cottonseed as each bale is ginned. At the end of each fiscal year, patronage refunds are distributed to adjust initial ginning rates to unit costs and cottonseed prices to net sales returns.

The pattern usually followed by cooperative gins when first organized has been to borrow half or more of the capital required to pay for a plant. Additional member capital to pay off this indebtedness or to expand facilities is generally obtained by retaining operating savings. An exception to this general practice is followed by the cooperative gins in California with a spe-

cific capital retain as each bale is ginned.

Cooperative gins are important in training directors and hired employees for assuming added responsibilities with cotton marketing associations, oil mills, and compresses. Cooperative gins serve as a point of contact between individual cotton growers and other processing and marketing associations. The local gins receive and assemble cottonseed and baled cotton for delivery to cooperative compresses, oil mills, and marketing associations. They



About half the cottonseed processed by cooperative cottonseed oil mills is by use of the solvent method. This is the solvent unit at Plains Cooperative Oil Mill.

perform these functions even in areas where larger organizations are not legally affiliated with the gins.

Marketing Groups Serve Widely

Cooperative cotton marketing services are available to most cotton growers in nearly all the major cotton growing areas. In 1954, 12 area or regional associations were in operation from North Carolina to California. All 12 are similar in that they are the centralized type with growers as direct members. Marketing services offered and methods of operation vary widely. The associations assist members to participate in Government loan and price support programs. This assistance ranges from preparing required loan documents, with the grower retaining responsibility for redemption and sale of his own cotton, to a more extensive service whereby the association acts exclusively for all participating members in the redemption and sale of the cotton.

Some associations serve only a few counties while others serve one or more States. Less than 10 percent of all cotton growers in the United States used the services of these marketing associations in 1954. In some of the more concentrated cotton producing areas, however, the percentage of total volume handled was considerably higher than 10 percent.

Approximately half the cotton produced in the delta area of Mississippi in 1953 and 1954 was marketed cooperatively. In the area around El Paso, about one-fourth is normally marketed cooperatively. In California, cotton marketed cooperatively increased 10 times from 1945 to 1953 while production in the State increased 5 times. These three areas are characterized by concentrated cotton production on above-average scale, high yields, and better-than-average quality. The cotton marketing associations in these three areas differ somewhat from those in other areas in methods of operation and type of sales pools used. Instead



Over half the 27 co-op gins in California in 1954 compressed cotton into smaller and more completely covered standard density bales. The conventional size bale is on the right.

of full price on delivery, growers receive only a conservative advance. Final settlements are made after each pool is sold. Net sales proceeds above costs and expenses are distributed to growers.

Cotton marketing associations in other areas generally follow the practice of advancing the full market price at time of delivery. Sales pools are not generally used by these associations. Many members of these associations are relatively small-scale producers. An important objective of most of these associations is to maintain local markets where any cotton producers may sell cotton at all times at prices which reflect market conditions.

Most of the 12 cotton marketing associations provide other services to members in addition to cotton marketing. These services are offered either through major departments operating under the same charter, or through closely related associations which are usually jointly managed and made up of essentially the same members. One cotton marketing association operates a cottonseed oil mill, another has three compresses, and one has a subsidiary to provide production credit. Four provide substantial farm supply services. One of these also operates a number of cotton storage warehouses.

Oil Mills Progressive

Cooperative cottonseed oil mills, with the exception of one in Mississippi, were organized several years later than the cotton marketing associations and the cooperative gins. Eight of the oil mill associations operating in 1954 were federations of cooperative gins. Six of these were located in Texas and one each in Oklahoma and California. Two associations in Arkansas have individual producers and also cooperative gins as members. One cooperative oil mill is a department of a cotton marketing association. Two associations in Mississippi, and one in the Rio Grande Valley, near El Paso, have growers as direct members.

These 14 cooperatively owned oil mills together process less than 10 percent of the total cottonseed produced in the United States. Some associations, however, process more than one-fourth of the cottonseed produced in the areas they serve.

Most of the cooperative mills advance the prevailing price per ton on receipt of cottonseed. Others make an advance on delivery and then make additional payments during the processing season to bring the initial advance up to the market price as of the delivery date. Price benefits to growers are usually more than payments received above the prevailing market price. The price level for cottonseed generally increases in these areas in which a cooperative oil mill is established.

Cooperative oil mills have led the cottonseed crushing industry in adopting improved processes and equipment. Approximately half the cottonseed they processed in 1954 was by the solvent method. This compared with less than 20 percent by the solvent method for the remainder of the industry. Four of the associations are equipped to use some form of solvent extraction, 9 use screw presses, and 1 uses hydraulic presses.

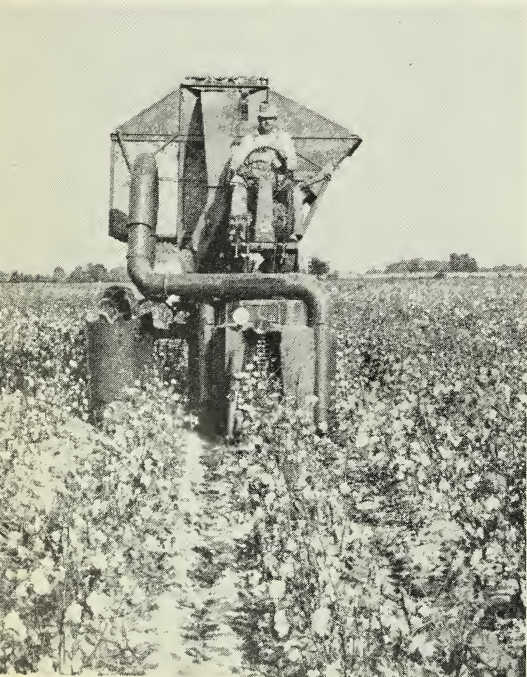
Cooperative oil mills, in particular the federated associations, have materially strengthened their member cooperative gins. These federated gins have an assured outlet for cottonseed. Gin managers and board members are brought together frequently in meetings at the oil mill where they have an opportunity to exchange views and ideas on common problems at the local gin level. Cooperative oil mills usually are able to save money for member gins in the purchase of bagging and ties. From time to time, oil mill personnel advise directors and managers of member gins on management and accounting problems.

Compresses Are New Venture

Operating cotton compresses is the latest business undertaking of cotton

growers. Eight cooperative compresses complete with storage warehouses were in operation in 1954. Three of these with growers as direct members are in the delta area of Mississippi and Arkansas. The statewide cotton marketing association in California operates compresses at two locations in the State and another at a Texas gulf port. These three plants are an integral part of the association's marketing facilities. Three different federated groups of gins in Texas own and operate compresses.

Available information indicates that operations of these compressing facilities are highly satisfactory. Although dollar savings per bale are not large, total savings are sizable because of compressing volume and storage revenues. One satisfactory source of revenue to cooperative compresses is the sale of loose cotton accumulated from trimmings, waste and sampling, which cotton growers formerly lost.



Many members of cooperatives use mechanical pickers like this one or mechanical strippers to harvest their cotton. Use of these machines greatly shortens the time required for harvesting cotton.

However, the greatest advantage is the convenience and satisfaction of controlling their own compressing and storage facilities.

Planting-Seed Associations Aid

Each of the major cotton producing States has one or more planting-seed associations. In practically all areas the State experiment stations develop and select the foundation seed. The experiment stations also furnish technical advice during the several years required for multiplication before adequate quantities of seed are available for general distribution to growers.

Growers own and control these planting-seed associations in varying degrees in the several States. The association in Texas is a federation largely of cooperative gins. This association makes contracts with selected individual producers for seed multiplication. In California members of the planting-seed association are those growers who multiply the foundation seed. Both cooperative and other gins in the State, as well as oil mills, participate in distributing planting seed.

Planting-seed associations operate on a cost basis. Their primary objective is the service of obtaining an adequate supply of pure planting seed for cotton growers.

Other Oilseeds Use Cooperatives

Twelve associations processed and marketed soybeans in 1954. These were located generally through the Corn Belt States. Soybean cooperatives have various types of organization and ownership. These include local cooperative oil mills with growers as direct members, federations of cooperative elevators that handle soybeans for growers, an oil milling department of a local cooperative elevator, and a soybean-oil mill owned by a cooperative feed manufacturing association which also serves as a sales

outlet for members who produce soybeans.

Tung-oil associations in the Southeastern States process and market a substantial portion of the tung-nut crop. Most of these associations are members of a federation which markets tung oil and also acts as a trade association for developing and promoting new uses.

Flaxseed produced in the Imperial Valley of California is nearly all marketed through a grower cooperative. This association does no processing other than cleaning. Its physical facilities are similar to those of any other elevator which handles small grains. A unique practice of this association

is that it makes contracts with growers several months before harvesting begins for the sale of flaxseed produced from specific acres. The association also markets other small grains.

Growers of castor beans, sunflower seed, safflower seed, sesame, and other vegetable oil crops, including peanuts for oil, have not been able to organize cooperatives. Relatively small acreage per farm and lack of concentrated areas of production have so far discouraged processing cooperatives for these crops. However, from time to time, growers of these crops have considered organizing cooperatives for oil extraction and marketing and for developing new production areas.

Dairy Cooperatives Help Find Markets

by Donald E. Hirsch

A DEPENDABLE market is a basic need of the dairy farmer. Milk is perishable and bulky and cannot be stored in unprocessed form. A cooperative plant or bargaining association is usually a good guarantee to the farmer of a reliable market. This situation has fostered the development of numerous dairy cooperatives.

In fact, dairy farmers pioneered in applying cooperative principles in marketing farm products. Farmers are said to have cooperated in making cheese as early as 1810. In the latter part of the 19th century, associations closely resembling present-day cooperatives became firmly established in the butter and cheese industries. By the end of the century more than 70 percent of all farmer cooperatives were dairy associations.

Over the years the pattern has been for farmers to join dairy marketing cooperatives during periods of economic stress. Membership in these associations rose sharply during the bitter depression years of the early 1930's, declined during the latter part of that decade, again rose during the chal-

lenging period of World War II, and hit an alltime high of 828,000 farmers in 1952. This trend is shown by data in table 5.

During a single 25-year period, 1927-52, the number of dairy cooperatives declined about 23 percent while membership rose 35 percent and dollar volume of business jumped 379 percent. Adjust the latter figure to reflect decreased dollar purchasing power and the increase in volume still was something of which cooperatives could be proud.

In 1952-53, dairy products accounted for almost one-third of the total dollar value of all farm products handled by farmer marketing cooperatives.

In addition to 1,900 cooperatives that handle dairy products as their major function, 200 associations handle such products as a sideline activity. Most of the latter specialize in marketing grain or poultry or in purchasing farm supplies. They handle less than one-third of 1 percent of the total value of the dairy products marketed by farmer cooperatives.

Almost 96 percent of the dollar volume of business of the 1,900 dairy cooperatives comes from marketing dairy products. The other 4 percent comes from marketing other farm products, purchasing farm supplies, and performing special services.

Nearly half the cooperatives handling dairy products are in Wisconsin and Minnesota. The remainder are distributed throughout the Nation.

More than 800,000 farmers are working together in cooperatives to solve their dairy marketing problems.

Thousands more participate as non-members in the benefits arising from such concerted action. Additional thousands patronize dairy breeding and other nonmarketing cooperatives. Through their joint efforts members of cooperatives have helped all dairy farmers obtain more stable and more profitable markets.

In addition to the basic privilege of voluntary ownership and control, dairy cooperatives provide many services to producers. Some of these are not otherwise available or are not available

Table 5.—Number of associations listed, estimated membership, and estimated dollar volume of business of farmers' dairy cooperatives,¹ for specified 12-month periods, 1913 to 1952-53

Period	Number of associations listed ²	Number of members ³	Business ⁴ (in thousands of dollars)
1913	1, 187	.....	60, 000
1921	1, 579	.....	228, 000
1925-26	2, 197	460, 000	535, 000
1927-28	2, 479	600, 000	620, 000
1929-30	2, 458	650, 000	680, 000
1930-31	2, 391	725, 000	620, 000
1931-32	2, 392	740, 000	520, 000
1932-33	2, 293	724, 000	390, 000
1933-34	2, 286	757, 000	380, 000
1934-35	2, 300	750, 000	440, 000
1935-36	2, 270	720, 000	520, 000
1936-37	2, 337	657, 000	577, 000
1937-38	2, 421	700, 000	686, 000
1938-39	2, 373	650, 000	610, 000
1939-40	2, 395	620, 000	560, 000
1940-41	2, 374	650, 000	693, 000
1941-42	2, 366	665, 000	815, 000
1942-43	2, 369	710, 000	950, 000
1943-44	2, 286	702, 000	1, 203, 000
1944-45	2, 214	726, 000	1, 294, 000
1945-46	2, 210	739, 000	1, 428, 000
1946-47	2, 132	746, 000	1, 746, 000
1947-48	2, 091	788, 000	1, 956, 000
1948-49	2, 047	805, 000	2, 145, 000
1949-50	2, 008	806, 000	2, 032, 000
1950-51	1, 928	814, 000	2, 388, 000
1951-52	1, 939	828, 000	2, 696, 000
1952-53	1, 917	812, 000	2, 968, 000

¹ Farmer cooperatives whose principal activity is marketing milk or its products. Not included are data for cooperatives engaged in marketing dairy products as a sideline activity.

² Includes only those associations voluntarily reporting to the Farmer Cooperative Service, U. S. Department of Agriculture, or for which reasonable estimates could be made. However, it is believed that each year only a few small associations were not included.

³ Since about 1935 has not included nonmember patrons.

⁴ Total business, including supplies and services, with nearly all from dairy products marketed. Includes value added by sales co-ops handling products of local processing co-ops.

to the same extent from other than cooperative enterprises.

Underlying all explanations for the importance of dairy cooperatives is, of course, the magnitude of the dairy industry. About 124 billion pounds of milk were produced in this country in 1954. Of this total nearly half was consumed in fluid form, a small proportion was fed to calves, and the remainder was used in manufactured dairy products.

Cooperatives play a significant part in handling nearly all principal dairy products. No data are available relative to their significance in national distribution of fluid milk. In 1954 about 30 percent of the total quantity of milk consumed as milk or cream in cities and villages was sold on markets under Federal marketing orders. Cooperatives sold about three-fourths of the milk handled on those markets.

Cooperatives produce over two-fifths of the butter, one-fifth of the cheese, about one-twentieth of the evaporated milk, and over half of the nonfat dry milk solids in this country. The role of cooperatives in distributing those commodities is not so important, however.

There are trends toward larger but fewer processing plants and organizations in all branches of the dairy industry. These are due in part to opportunities to reduce average processing costs per unit as volume increases. They are also due to the more effective sales job large organizations can perform. Where economic conditions preclude efficient operation in small plants, associations need to plan ways and means of increasing volume. This may involve enlarging existing facilities, constructing larger plants, purchasing other plants, or merging with other cooperatives.

All types of dairy cooperatives need more marketing research. They need to know what products consumers want, and where and when they want them. Expressed in another way—cooperatives will have to put the *right* quantities of the *right* products in the



Inspecting and dumping milk in receiving room of a cooperative.

right places at the *right* times and at the *right* prices.

This cannot be done by guesswork. Cooperative managements need to know how to market milk and milk products most effectively. They will have to spend farmers' money for market research, and call on research agencies for assistance far more than in the past.

Each association in a group of milk distributing associations and each in a group of dairy manufacturing associations can benefit from cooperation within its group. Small associations have the most to gain.

Cooperation can include: Programs for milk quality improvement on farms, central laboratories to assist in quality control in plants, savings through quantity purchases of plant and farm supplies, efficient disposition of seasonal surpluses of milk, development of adequate accounts and records, cost comparisons to direct attention to areas in which costs can be cut, employee training programs, and membership and public education programs. It may be possible, also, to assure small associations of high-quality legal and economic advisory service.

Comprise Many Types

Dairy cooperatives are commonly classified according to products handled. Such classification divides them

into groups handling fluid milk, butter, cheese, evaporated milk, dried milk, and ice cream.

A large number of associations are still operating plants designed and equipped to produce a single major product. The trend is away from such specialization, however, as farmer co-operatives develop more diversified or flexible plants. Such plants are able to shift production among two or more of the principal dairy products in compliance with short-term changes in price relationships. They have, therefore, several alternative outlets and cannot be classified on a single-product basis.

Dairy associations may be classified as follows:

- I. Fluid-milk marketing co-operatives.
 - A. Handling
 - 1. Receiving (raw product)
 - 2. Distributing (finished products)
 - B. Price bargaining
- II. Manufactured products marketing co-operatives
 - A. Assembling (raw products)
 - B. Manufacturing
 - 1. Buttermaking
 - 2. Cheesemaking
 - 3. Milk drying
 - 4. Diversified manufacturing
 - 5. Other manufacturing

- C. Merchandising (finished products)

III. Service co-operatives

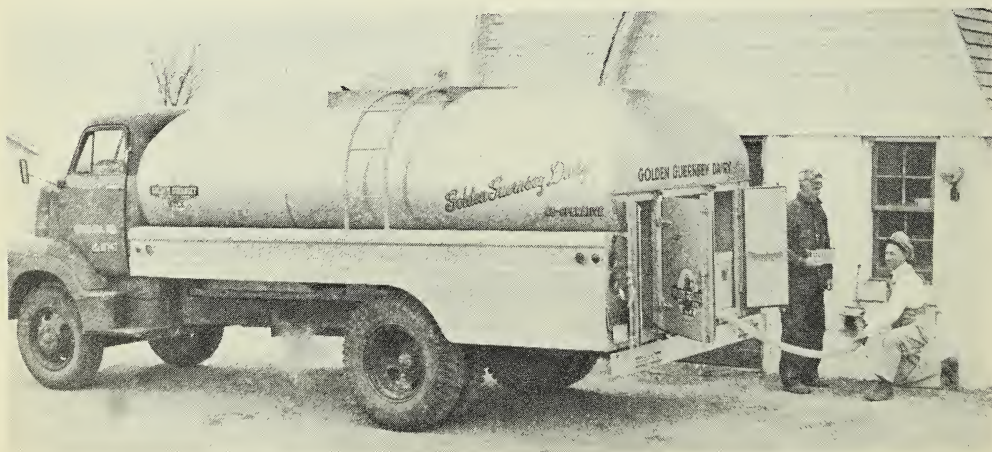
- A. Quality improvement (raw products)
- B. Production
 - 1. Breeding
 - 2. Herd improvement
- C. General service

Some co-operatives do not fit perfectly into this classification. Activities of many associations fall within the scope of more than one class. However, in the great majority of cases it is not difficult to determine which class best describes their activities.

Market Fluid Milk

Fluid milk is produced for consumption in fluid form. Not all fluid milk is utilized in preparation of bottled milk and cream, however. The rest, termed reserve or surplus, is made into products which bring lower prices than bottled milk. At almost all times milk distributors have some reserve milk. This is because it is necessary each day to have as a minimum enough milk to meet fluid requirements.

Production of milk also varies seasonally much more than consumption. Therefore, the proportion of fluid milk that must be handled as surplus is



Many marketing areas of the country are beginning to use the bulk milk handling system from farm to plant. This is a type of bulk tank truck used by Golden Guernsey Dairy Cooperative, Milwaukee, Wis.

largest during the months of greatest milk production.

Because of its perishability and bulk, milk destined for consumption in fluid form ordinarily is sold on a local market. Market distribution areas have expanded greatly since the end of World War II and supply areas also have increased. Nevertheless, the market for fluid milk is much more limited geographically than that for manufactured dairy products.

Processing as well as distribution of milk lends itself to the use of large-scale methods. Consequently, in many city markets a few large distributors handle the major part of the milk supply. Unorganized farmers near such markets are frequently at a disadvantage in bargaining with them. Numerous fluid-milk cooperatives have been organized to improve producers' bargaining positions.

They Receive.—Associations processing and distributing fluid-milk products ordinarily receive the milk direct from farms. To supply a large city, however, it is necessary to extend the milk procurement area for a considerable distance. Milk receiving stations in outlying areas minimize the cost of hauling by pooling quantities of milk. They also safeguard the quality of the milk by cooling it before shipping it in insulated tanks or under refrigeration.

These stations may be operated by an organization distributing the milk in the city, or by a specialized cooperative established to assemble milk. Such receiving associations sell to the most favorable sales outlet, in view of both short-term and long-term considerations. They customarily receive, cool, weigh, and test the milk; standardize the butterfat content; make advance payments to producer patrons on the basis of current price levels; and annually make final settlements to producers in accordance with the amount of operating savings.

The installation of bulk tanks on farms along with tanker transport to processing plants has eliminated the

need for receiving stations in some areas. This development probably will become more widespread in future years.

They Distribute.—Distributing cooperatives take physical possession of all, or most, of the milk sold through them. Ordinarily, a distributing association processes and sells at wholesale or retail the entire quantity of milk marketed through it.

Milk distributing cooperatives have increased steadily in number since World War I. In 1918, there were 16 active associations; in 1929, there were 79; in 1940, there were 101; and in 1954, it was estimated there were well over 100 specialized associations of this type. Many of the milk distributing associations organized during the late 1930's and early 1940's, and particularly those in Southeastern States, resulted from consolidations of the businesses of producer-distributors. Such pooling of interests enables dairymen to benefit from efficiencies made possible by increased volume.

Since World War II the adoption of paper cartons, plus improved transportation has led to expanding distribution areas. As a result, competition has fostered development of larger distributing organizations.

Other trends in the milk distribution industry of the United States present challenges to cooperatives. Among these trends are increases in supply areas, retail sales through stores, homogenized milk, multiple-quart containers, dispensing milk from vending machines, the gradual breakdown of intermarket barriers, emphasis on pasteurizing milk, improvement in transportation and refrigeration, and underselling of local milk by dealers from outside markets who have lower processing costs or lower fat test milk.

Most, but not all, of the successful cooperatives distributing milk at retail are in small markets, where volume is not sufficient to justify a bargaining association. Such markets usually have less outside competition. Their milksheds are relatively compact and



Home delivery of milk. Retail sales of milk through stores are on the increase.

cooperative memberships are closely knit. Their surplus problems are also less acute.

In many cases, efforts of milk producers to improve markets and prices through establishing milk distributing cooperatives have been outstandingly successful in both large cities and small towns. Success, however, is by no means universal. The necessary capital investment is high, competition for sales volume is keen, and the skilled management necessary for efficient operation is sometimes hard to find.

The dairy association in the United States with the greatest dollar volume of business is a joint bargaining and distributing association. It marketed 3 billion pounds of milk during its 1953-54 fiscal year, with net sales totaling more than \$150 million. Approximately 59 percent of this volume represented milk delivered by members to dealers and reflected the bargaining function of the association. About 41 percent was handled by the cooperative, most of it utilized in various products other than market milk. This association is unusual in that it both bargains and distributes on a large scale.

Bargain for Prices.—The strictly bargaining cooperative arranges for the sale of its patrons' milk to processors and distributors, but it does not engage in the physical handling of milk. Acting as a sales agency, it bargains for prices on a collective basis. It attempts to ensure satisfactory disposition of all milk and tries to secure equitable treatment for all patrons.

In general, bargaining associations marketing large volumes have been most successful. Their receipts are derived from deductions of a few cents per 100 pounds from the sale price of the milk they sell. Hence, they need to handle large quantities if they assume responsibilities which require full-time employees. The necessary volume of sales may be available either in a single large market or in several markets within a relatively limited territory.

Perhaps the principal benefit provided by bargaining associations is their stabilizing effect on the market. This is particularly important in the larger, more complicated markets. Here by knowing the supply situation the association can divert available milk to its most remunerative uses.

There is no centralized public market place for dairy farmers. Bargaining associations facilitate transactions between the hundreds of milk producers and the dealers who buy milk. To do this efficiently, it is necessary for cooperatives to handle a significant proportion of the total supply. They also need several alternative outlets.

A high proportion of the milk marketed by bargaining cooperatives is sold under Federal milk marketing orders. In markets where such orders are in effect, cooperatives usually do not bargain directly with dealers. Instead they represent producers at price hearings. At times they may negotiate with dealers for increases above minimum prices established under an order.

In addition to price negotiation or representation, milk bargaining associations serve their patrons in many ways. They assure accurate and prompt payment for milk, provide a dependable year-round market, systematize delivery of milk to the market—thereby eliminating unnecessary transportation costs—and keep patrons informed of market conditions. They often help patrons adjust production to market needs by using pricing plans that discourage large seasonal fluctuations in production. They may also check producers' milk weights and tests, compute marketwide or association pool prices, guarantee or actually handle payments to producers, supervise or control hauling of milk from farms to plants, and participate in quality improvement programs.

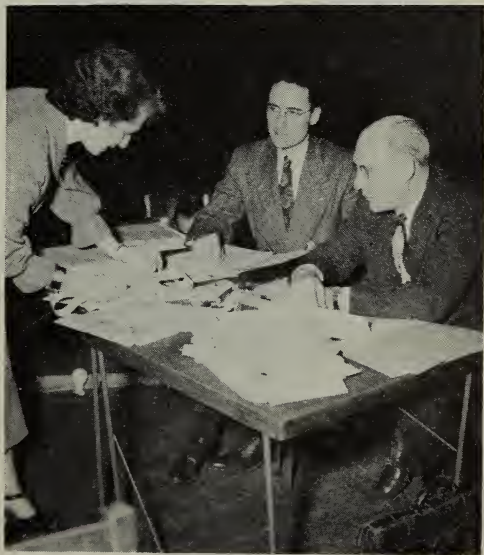
An increasing number of bargaining associations physically handle part of the milk they market. One of the bargaining association's most troublesome problems is to dispose successfully of milk it cannot sell for consumption in fluid form. Distributors use only limited quantities of such surplus milk in their regular businesses. The rest must be made into dairy products which bring lower prices than bottled milk.

A surplus that becomes a large proportion of the total milk in a market requires special handling. Much of it may have to be made into manufactured dairy products. Manufacturing usually cannot be accomplished efficiently by milk distributing plants. Expensive, specialized equipment and skilled operators are essential. Sufficient volume and continuous operations are almost imperative. Cooperatives normally having large quantities of surplus milk send much of it to specialized manufacturing plants. Or, in the absence of a better alternative, they may establish such plants themselves.

In some instances, bargaining associations have had to take control of distributing businesses to safeguard producers' interests. Ordinarily, however, such associations do not choose to operate distributing plants indefinitely. The normal course is to dispose of them when conditions permit.

Produce and Market Products

Dairy cooperatives assemble milk for manufacturing into many products, particularly butter, cheese, and dried milk. In merchandising their prod-



Representatives of Miami Valley Milk Producers Association, Dayton, Ohio, checking on data presented at Federal milk order hearing.

ucts, these cooperatives face strong competition.

They Assemble.—The centralizer creameries obtain most of their cream from shipping stations in small towns where farmers trade and bring in cream, eggs, poultry, and other produce. The operator of the station weighs and tests the cream before it is purchased, then accumulates it for shipment to the centralizer.

In addition to the cream stations maintained by the cooperative centralizers, other stations operate as independent cooperatives. These employ their own managers and sell patrons' cream to the best available outlets.

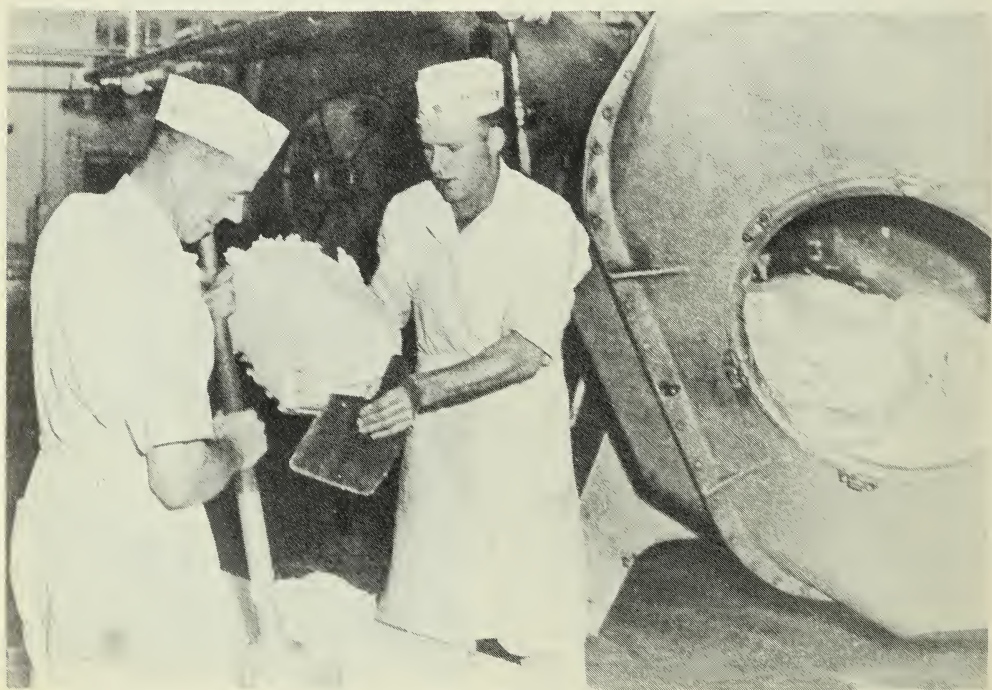
Some cooperatives assemble milk from farms at receiving stations before delivering it to manufacturing plants. This practice is more general in handling farm-separated cream and fluid milk than in handling milk for manufacturing. During World War II, assembly of milk at receiving stations became more common in some areas as

local creameries ceased to make butter and shipped the whole milk to drying plants. Some local creameries separated the milk, made butter from the cream, and sent the buttermilk and skim milk to drying plants. This situation still exists in some areas.

They Manufacture.—The farmer cooperatives have been particularly active in producing manufactured dairy products. They have sold huge quantities of milk through their price bargaining associations but much of the milk they have physically handled has gone into butter, cheese and other manufactured products. Most of the associations producing those products operate specialized plants. It is therefore possible to consider large groups of them on a product basis.

Wisconsin, Minnesota, and Iowa contain most of the associations making butter or cheese, or drying milk.

Butter.—Cooperative buttermaking began about the middle of the 19th century. For many years, however, specialized associations to perform this



Removing butter from all metal churn, developed by Challenge Cream and Butter Association, Los Angeles, Calif.

function did not become common. The period of most rapid growth of buttermaking associations was from 1900 to 1910.

Because the specialized buttermaking plant receives farm-separated cream, it usually is called a creamery. Various other kinds of dairy plants also produce "creamery butter," however.

In 1937 there were over 1,500 co-operative buttermaking plants. War-time shortages of butter plus other factors led to a decline in the number of such plants. In January 1955, the number of cooperatives making butter was estimated to be between 950 and 1,000.

The cooperative proportion of the national output of creamery butter rose slowly from 34 percent of the total in 1926 to about 45 percent in 1954.

The cost of transporting butter is low compared with that of shipping milk or cream. As a result, creameries are located in heavy surplus milk producing areas and large proportions of their products are sold in distant markets. The bulk of the butter in the United States comes from the North Central States, which appear to have a comparative advantage in milk production. Much of the butter is sold in the North Atlantic States where concentration of population is greatest.

Creameries are classified as local or centralizer types, according to their means of obtaining cream. Local creameries are common in regions where the number of cows is sufficient to supply them with butterfat from a relatively small area. Frequent deliveries of milk and cream are made to the plants. Low assembly costs and high-quality raw materials give that type of butter plant the advantage in such regions.

Centralizer creameries are located at convenient transportation centers because they receive cream from wide territories in which the cow population is sparse. Their cream comes direct from producers or from assembly stations in rural communities. Since good farm-to-market roads have be-



Wrapping triangles of cheese at Kiel, Wis., plant of Lake to Lake Dairy Cooperative, Manitowoc, Wis.

come available, both local and centralizer creameries have relied upon trucks to gather cream. This similarity makes the differences between the two types less clear. However, the centralizers tend to cover wider areas, their manufacturing plants are generally much larger, and a greater proportion of their supply of raw products consists of sour, farm-separated cream.

Most cooperative creameries confine their activities to the manufacture of butter. These rely upon other marketing agencies to grade, package, and distribute it. Numerous associations have joined together into federated cooperatives which perform all or part of the other marketing services required before the butter reaches consumers.

Cheese.—The number of cooperatives making cheese of the "hard" varieties (including American cheddar, Swiss, Blue, Brick) declined from 800 in 1926 to fewer than 400 in early 1955.

Approximately three-fourths of the cheese associations are in Wisconsin; many of the others are in adjoining States. Most of the associations produce either American cheese or domestic Swiss-type cheese.



Testing dried milk for solubility for Mid-West Producers' Creameries, Inc., in its laboratory at South Bend, Ind.

As mentioned, the first dairy cooperatives in this country manufactured cheese. Small factories were set up by groups of neighboring farmers who found it convenient to haul their fresh milk to a common point. There the combined supply could be made into cheese more easily than on individual farms. Skilled artisans were needed to convert the milk into cheese. When a cheesemaker established a factory, it was usually operated as a private enterprise. But when a group of farmers provided the original capital and hired a cheesemaker, the undertaking normally became a cooperative.

These cooperatives used a pooling system to distribute the net proceeds from the sale of the cheese among those who provided the milk, according to the quantity of milk contributed by each. The cooperative form of business was well adapted to their needs but many cheese factories now are owned by cooperatives that do not meet modern standards. In some instances ownership has not been kept in the hands of patrons, and methods of operation are not in accord with accepted cooperative practice. Many such organizations have found it impossible to adjust to changing condi-

tions, and as a result are not legally incorporated cooperative business institutions.

Milk must be delivered fresh to make good cheese. Consequently, in the horse-and-wagon days the area served by a cheese factory was small. Many little inexpensive factories sprang up at country crossroads. Since World War I a trend toward expansion and consolidation of cheese factories has resulted in fewer but larger ones. Yet the little crossroads factory still prevails. The typical cooperative cheese factory is small compared with other kinds of dairy cooperatives.

Most cooperative cheese factories, as is true of cooperative creameries, restrict their activities to processing. They perform only the initial step in marketing their products. Some have joined together in federations to carry out a number of marketing functions in moving the cheese from factory to consumers.

Dried Milk.—The cooperatives normally produce a large proportion of the Nation's total nonfat dry milk solids. In 1944, this percentage was 58 and it is believed to have been about the same in 1954. Wisconsin is the leading State in terms of cooperative production of this product.

Prior to World War II dried milk products accounted for only a small portion of the milk handled by dairy cooperatives. The war brought a tremendous demand for all milk solids. They were needed in a form which could be transported in minimum space and would retain flavor and nutritional qualities for months. The Federal Government financed construction of 16 dehydrating plants and installation of dehydrating equipment in nine other plants.

These plants were leased to cooperatives who paid rent and had options either to renew the lease at the end of every 5 years or to purchase the plant. In 1945 the plants produced over 100 million pounds of dried milk. Participation in the Federal program and cooperation among local associa-

tions to supply central drying plants greatly increased the relative importance of cooperatives in production of dried milk. The cooperatives operating them have purchased most of these "lend-lease plants."

Since World War II, nonfat dry milk solids have had to seek new outlets. Like butter, cheese, and evaporated milk they are sold in consumer-size packages. A number of dairy cooperatives have contributed to this development by preparing compact, attractive packages of high-quality products. As a result, the market for such products continues to expand.

Dried whole milk was another dairy product for which production rose sharply during war years. It has declined in relative importance since then, however. It is estimated that cooperatives manufactured about 50 percent of the total production in 1954. Many of these manufacturing cooperatives were in Wisconsin.

No data are available to indicate the cooperative proportions of total production of other dried milk products. Cooperatives, however, play a less important part in the manufacture of those products than in making nonfat dry milk solids.

Combinations of Products.—The number of large diversified or flexible dairy plants operated by farmer cooperatives is still increasing. The productive capacities of such plants can be shifted from one product or group of products to another single product or group within a relatively short time. These plants cannot be classified accurately on a product basis because of their potential in varied production capacity. In contrast, the specialized plants, such as the traditional cross-roads cheese factory, readily fall into the product classification.

Relative merits of diversified and specialized plants of approximately equal size have not been fully determined. Perhaps each should be judged on an individual case basis. The price sensitiveness of the diversi-

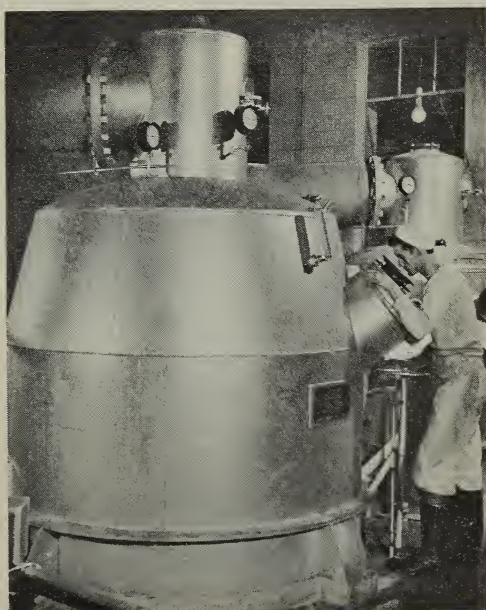
fied plant must in any event be weighed against the greater opportunities for operating economy in the specialized plant.

More complete utilization of all the milk solids, whether in a specialized or diversified plant, is a significant development. Such increased efficiency means greater returns to farmer-patrons from their cooperative plants.

In recent years many cooperatives operating diversified manufacturing plants have carried the development one step farther. They now have special departments to distribute fluid milk in bulk or in consumer containers.

Other Products.—Cooperatives manufacture large quantities of dairy products other than those mentioned in preceding paragraphs. Those quantities are relatively unimportant, however, as proportions of the total quantities produced in the Nation.

In 1946, 11 dairy cooperatives produced about 7 percent of the total United States production of evaporated milk (unsweetened, unskimmed case goods). During World War II, production by cooperatives increased greatly in response to Government



Milk condensing unit used in producing dried milk at Rochester (Minn.) Dairy Cooperative.

requirements for military personnel and for lend-lease. Before this war the large capital requirements for manufacture of evaporated milk, plus the difficulty in establishing satisfactory sales outlets, deterred cooperatives from manufacturing this product.

It is probable that cooperative production of evaporated milk in 1954 was a smaller proportion of the total than it was in 1946.

Cooperatives manufacture large quantities of ice cream and certain other dairy products, but most of the national total of each is produced by other concerns. In certain individual markets, though, cooperative products are of major importance.

Merchandise Cooperatively.—All cooperatives handling milk and its products, including the bargaining associations, perform some marketing function. Most of them, however, have no control over the physical forms or the distribution of their products after these leave the production plants. Fluid-milk distributing associations are a notable exception.

Relatively few cooperatives have been established for the specific purpose of selling to regular commercial outlets the finished dairy products produced by affiliated farmer coopera-

tives. Such cooperatives are termed sales or merchandising federations. In 1954, 14 federations of this kind had a combined annual volume of business of about \$400 million.

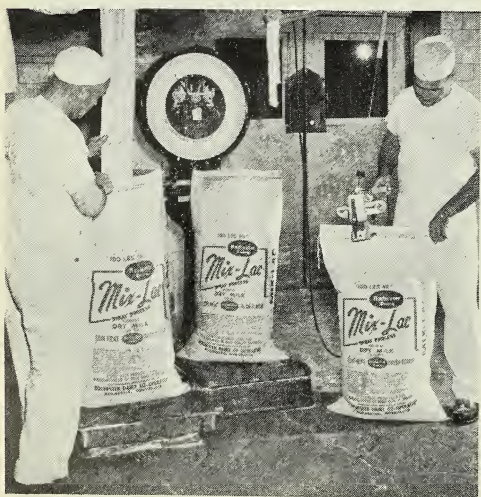
Merchandising dairy products is a highly technical business. More intense competition provided by stronger and larger organizations, widening markets, involved pricing techniques, Government regulations, and many other factors have contributed to its complexity. This calls for the assistance of specialists—lawyers, economists, market analysts, accountants, transportation experts, and others.

Potential markets for the products of each cooperative are becoming greater as facilities for transporting and storing products continue to improve in terms of speed, care, and refrigeration. Even rather small dairy cooperatives no longer operate in more or less isolated communities. Much of their production must be sold on regional or national markets.

These conditions have led to increasing emphasis on the services merchandising cooperatives offer to independent dairy manufacturing associations of all kinds and sizes.

Butter has always played the major role among the manufactured dairy products merchandised by cooperatives. Data have not been compiled to show the present combined volume of the federations handling that product, but a substantial proportion of the quantity produced by local cooperatives is merchandised by overhead organizations. The largest merchandising federation, one that at first specialized in handling butter but later diversified, had sales in 1953 of over \$140 million.

The trend since 1920 has been toward fewer and larger butter handlers. The principal outlets before World War II were cooperative sales agencies; wholesale receivers on the central markets, mainly in New York and Chicago; and large direct distributors, such as food chains and the produce departments of meat packing plants.



Employees of Rochester (Minn.) Dairy Cooperative filling and closing 100-pound bags of nonfat dry milk solids.

These outlets represented two general sales classifications: (1) Sales in central markets and (2) sales at "country" concentration points. Use of the latter type of outlet represented a distinct shift in butter marketing methods. Cooperatives and private agencies have assembled, graded, analyzed, and packed butter at "country" plants to an increasing extent since 1940. Sales to wholesale receivers in central markets are still important, however, to local midwestern cooperative creameries.

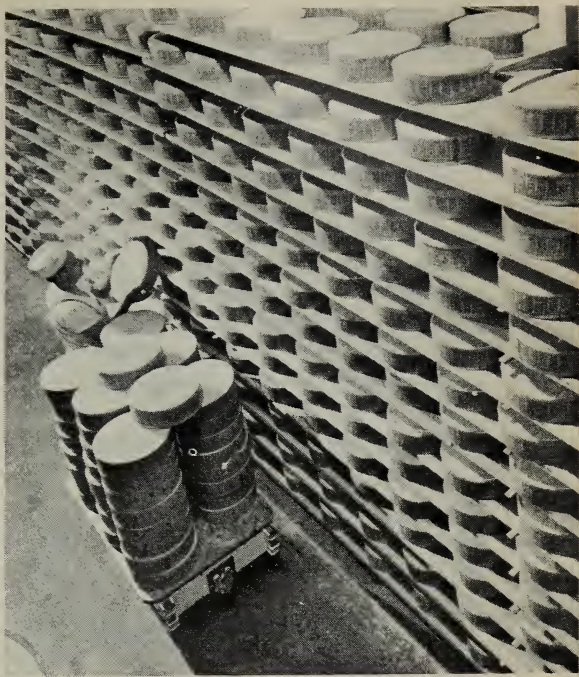
Specialized cheese associations have organized federations to perform assembling, grading, warehousing, and distributing functions. In 1954 there were two specialized cheese marketing associations in Wisconsin. One of these was primarily concerned with assembling, however, and the actual distribution at wholesale levels was done by a federation originally organized to market butter.

Only about one-tenth of the Swiss-type cheese and about one-twentieth of the American cheese produced in Wisconsin in 1945 were marketed cooperatively. A few very large organizations not under farmer control continued to handle most of the cheese of all types and varieties.

Several marketing federations distribute large quantities of dried milk and condensed milk products. Most of these federations began as butter marketing associations and subsequently diversified. At least two were organized for the specific purpose of handling dried milk.

The federations merchandising manufactured dairy products handle a variety of dairy and poultry products because diversification reduces the unit cost of each product handled. These federations have also assumed some processing functions because of the savings realized from performing these functions after quantities of the product have been assembled from local associations.

There is a distinct trend among many large dairy merchandising con-



Wheels of cheese in storage room of Tillamook County Creamery Association, Tillamook, Oreg. Federations organized by some specialized cheese associations assemble, grade, warehouse and distribute cheese.

cerns to diversify to such an extent that they develop entire lines of other foods. Such development has thus far been more limited among the dairy merchandising cooperatives than among other dairy organizations.

Have Service Associations

Two types of dairy cooperatives "straddle the line" between a specialized dairy marketing association and a specialized service association. These are the quality improvement cooperative and the artificial breeding cooperative for dairy cattle. The membership of two other types, the dairy herd improvement association and the specialized service association, consists of cooperating dairy farmers, also, but such cooperatives are of a purely service type. Both the dairy breeding and the herd improvement cooperatives are discussed elsewhere. (See page 192.)

The quality improvement associa-

tions formed by small marketing cooperatives make available to each marketing cooperative the benefits of a fieldman's services. Ordinarily, only a large marketing association can afford to employ a fieldman. In March 1947, 17 quality associations served 17 counties in Wisconsin.

Over 60 specialized dairy service cooperatives were operating in Ohio in the late 1940's. They coordinated local programs to improve both dairy cattle and farm management practices.

Have Specialized Nationals

Cooperating dairymen created two organizations to meet special needs at the national level.

Dairy Products Marketing Association (DPMA), Chicago, Ill., was composed of regional dairy cooperatives. Incorporated in May 1938, it was organized to engage in activities that would stabilize or otherwise improve prices for dairy products.

DPMA began purchasing butter in June 1938, in accordance with instructions from the Secretary of Agriculture. Such purchases were designed to keep market prices at or above a stabilization level that would insure a fair return to producers. DPMA made additional purchases of butter during some months of succeeding years before the beginning of World War II. It made purchases of nonfat dry milk solids in 1940 and 1941.

During World War II, DPMA acted

as agent for the U. S. Department of Agriculture in handling procurement programs primarily related to military and lend-lease needs.

In February 1947, the association again acted to support prices through purchases of nonfat dry milk solids on the open market.

After 1949, DPMA did not engage in Government procurement programs. It continued to act as a clearinghouse for information on the dairy industry until 1955.

National Milk Producers' Federation was organized and incorporated at Chicago, in December 1916. The word "Cooperative" was added to its name in 1923 but was later dropped. It was one of the first national organizations concerned with the welfare of cooperatives.

In 1955, the Federation had more than 100 member-associations. Included among them were local, regional, and federated cooperatives and bargaining, processing, and merchandising associations representing nearly 500,000 farm families.

This organization provides its membership with representation at the national level. It functions primarily as a contact agency with the legislative and administrative branches of the Federal Government and as an educational institution. It makes appraisals of legislation, market conditions, and economic and other factors affecting the organization and operation of dairy cooperatives.

Cooperatives Handle Many Fruits and Vegetables

by Wilbur F. Buck

A HIGH point in cooperative marketing achievement was reached during the 1952-53 fiscal year through the united efforts of 134,000 fruit and vegetable growers. As small businessmen, these growers acting through their 776 farmer controlled associations compiled a most impressive record when they carried on a gross

business volume equal to 10 percent of that for all types of marketing cooperatives with but 3 percent of the membership.

Associations Grow

A measure of the relative importance of the volume of fruits and vegetables marketed cooperatively may be gained

through considering the high percentages of some crops marketed in this manner. Grower associations handle more than 90 percent of the lemon crop, 85 percent of all cranberries, and 75 percent of the avocados and walnuts. More than half the orange crop also sells under the cooperative label.

Many other fruits and vegetables reach the consumer by way of the cooperative marketing route. Substantial amounts of the following crops are marketed in this manner: Grapefruit, limes, tangerines, prunes, pears, straw-

berries, apples, peaches, cherries, grapes, olives, mushrooms, blueberries, green peppers, cauliflower and celery. Cooperatives also occupy a prominent position in the winemaking industry.

A gradual decline in the total number of fruit and vegetable cooperatives after 1930 was accompanied by modest gains in individual association memberships. (Table 6.)

Locations.—The outline map (fig. 5) marks the geographical distribution of the 776 fruit and vegetable marketing associations throughout the United States in 1952–53. Changes in both

Table 6.—Fruit and vegetable associations and business volume for specified years

Year	Associa- tions listed	Estimated memberships	Estimated business	
			(\$1,000)	
1925–26.....	1, 237	180, 000	280, 000	
1927–28.....	1, 269	215, 000	300, 000	
1929–30.....	1, 384	218, 000	320, 000	
1930–31.....	1, 386	182, 000	319, 000	
1931–32.....	1, 347	180, 000	283, 000	
1932–33.....	1, 268	170, 000	200, 000	
1933–34.....	1, 194	185, 000	182, 000	
1934–35.....	1, 082	158, 000	200, 000	
1935–36.....	1, 063	166, 000	212, 000	
1936–37.....	1, 102	141, 700	282, 000	
1937–38.....	1, 164	164, 000	300, 000	
1938–39.....	1, 116	168, 000	273, 000	
1939–40.....	1, 088	145, 000	273, 000	
1940–41.....	1, 048	157, 000	274, 000	
1941–42.....	945	153, 000	325, 000	
1942–43.....	944	160, 000	450, 000	
1943–44.....	920	160, 200	638, 000	
1944–45.....	916	162, 000	784, 000	
1945–46.....	921	177, 000	815, 000	
1946–47.....	937	168, 000	826, 000	
1947–48.....	929	176, 000	742, 000	
1948–49.....	930	173, 000	776, 000	
1949–50.....	922	175, 000	784, 000	
			<i>Gross</i> ²	<i>Net</i> ²
1950–51.....	872	170, 309	1, 064, 000	704, 000
1951–52 ¹	825	138, 237	979, 000	661, 000
1952–53.....	776	133, 782	1, 027, 000	666, 000

¹ Prior to 1951–52, sugar beet bargaining associations which represented a business volume of \$132,152,000 were included in the fruit and vegetable group. A new category was set up in 1951–52 for sugar products which included 47 sugar beet bargaining associations with 31,681 members formerly covered in fruit and vegetable statistics.

² Business volume figures prior to 1950–51 were at a level somewhere between the gross and net figures as now published. This was because in previous figures not all the supply sales at wholesale level to other cooperatives or terminal market sales for local associations were included. Net business represents the value at the first level at which cooperatives transact business for farmers. It does not include terminal market sales for local associations.

Figure 5.—Location of fruit and vegetable marketing associations, 1955.



locations and numbers in more recent years may in part be attributed to the decline in numbers of single commodity seasonal type of marketing cooperative. Competition within the industry has forced many of these organizations to choose between discontinuing operations or developing additional services in order to combat high per unit operating costs. The processes of consolidation and absorption have also been active in reducing the number of associations.

California leads with 304 fruit and vegetable associations, nearly 40 percent of the reported total. The net volume of business transacted by California fruit and vegetable associations in 1952-53 was estimated as \$257 million. Florida is second among the States in the order of fruit and vegetable associations as well as net business volume.

Numbers and Business Volumes.—Table 7 is based upon data representing the number of associations active during the 1952-53 fiscal year. It provides a detailed breakdown of associa-

tion numbers according to principal commodities, spheres of operation, and business volume.

After 1930, a notable increase occurred in the importance of fresh fruits and vegetables in American diets. Their per capita consumption, with the exceptions of white and sweet potatoes and apples, rose markedly between 1930 and 1955. The economic position of the fruit and vegetable grower fluctuated widely during this period because of the inherent nature of the commodities handled. During the past few years per unit processing and distribution costs have sharply increased.

At the beginning of 1955 producers generally were receiving smaller shares of the food dollar, then determined as approximately one-third. Thus growers were compelled to exercise great efficiency in order to meet competition from other products and producers. Well-managed cooperatives help fruit and vegetable producers maintain their economic positions by performing marketing services at cost. Mechaniza-

tion, consolidation of local operations, and greater volume are some of the methods used in the struggle for greater efficiency in marketing.

Make Early Start

Historically, fruit and vegetable marketing cooperatives followed dairy, grain, and livestock associations in their order of formation in the United States. Fruit and vegetable marketing cooperatives have continued to influence their part of the agricultural economy for nearly 90 years.

The first fruit grower marketing cooperative of record was the Fruit Growers' Union and Cooperative Society of Hammonton, N. J. This cooperative formed in 1867 and its activities spanned an eventful 30 years. The report of this organization for 1880 disclosed a substantial business in marketing strawberries, raspberries, apples, pears, and cranberries.

In 1872, the New Jersey Cranberry

Growers' Association organized to market the crop and furnish growers with market news. Massachusetts cranberry growers followed in 1895 with a cooperative sales organization called the Cape Cod Cranberry Sales Co. During the same year, other Massachusetts producers combined with New Jersey growers to form the Growers' Cranberry Co., Pemberton, N. J. Wisconsin cranberry growers organized the Wisconsin Cranberry Sales Co., Wisconsin Rapids, in 1906 for similar reasons.

Peach marketing organizations were among the early fruit cooperatives. The Catawba Dock Co. of Clinton, Ohio, is known to have actively engaged in shipping peaches as early as 1878. The Delaware Fruit Exchange of Wilmington established grades, made inspections, and sold peaches by auction for its members in 1881. Another peach marketing association with the title Fruit Growers' Bureau of Information and Distribution, with head-

Table 7.—Number of associations handling and gross value of major products marketed by fruit and vegetable cooperatives, 1952-53, according to predominant commodity handled

Commodities handled	Number of associations handling	Gross value of products handled	Percent of total value
		(\$1,000)	
Citrus fruits	242	472, 797	49. 9
Deciduous fruits	194	209, 277	22. 1
Vegetables	113	69, 705	7. 4
Fruits and vegetables ¹	51	61, 589	6. 5
Irish potatoes	56	57, 329	6. 0
Berries	67	39, 117	4. 1
Apples	45	31, 524	3. 3
Olives	5	5, 229	. 6
Sweet potatoes	3	818	. 1
All fruits and vegetables	776	947, 385	100. 0

¹ In this table, an arbitrary classification of fruit and vegetable marketing associations according to dollar volume of business for the predominant commodity or group of commodities is employed. No account is taken of the final form in which the commodity is marketed as is done in the detailed discussion of fruit and vegetable marketing cooperatives which follows. Thus grapes and wineries are shown above in deciduous fruits, and frozen orange concentrate as citrus fruits.

quarters at Dover, Del., made its appearance in 1887. A similar marketing organization for peaches operated in the Lake Erie region of New York in 1888.

California Fruit Growers, a cooperative located in San Francisco in 1881, became the forerunner of a large number of deciduous and citrus cooperatives in the area. In 1884, the California Fruit Growers' Association and the Newcastle Cooperative Fruit Co. of Placer County were organized. The Orange Growers Protective Union, formed in southern California in 1885, routed fruit to market for its members and also supplied them with current market news. The Nielos and Ranchita Walnut Growers and the California Dried Fruit Association made their appearances in 1887 and 1888, respectively, indicating that cooperative marketing principles had been adapted to specialized operations.

In the early 1890's several local citrus associations organized to market members' fruit. Shortly thereafter, additional local and district exchanges formed to give the production areas more complete coverage. In 1895, the Southern California Fruit Exchange, forerunner of Sunkist Growers, Inc., organized with headquarters in Los Angeles. All fruit sales were centralized in this office. This organization has continued to grow and prosper. In 1905, its name was changed to California Fruit Growers Exchange. In 1952, it was again changed to the present Sunkist Growers, Inc., a title which more closely identifies the cooperative with its famous trademark.

The State of Florida, which today ranks second in the number and business volume of fruit and vegetable associations, was well represented in the early period of cooperative development. The Farmers' Alliance sponsored the original Florida Fruit Exchange in 1885. The same organization also formed the Farmers' Alliance Exchange, Jacksonville, Fla., to sell vegetables for its members and provide them with farm supply pur-

chasing services. The Florida Highland Fruit Growers' Exchange, organized in the 1880's, marketed peaches, plums and pears. The Orlando (Fla.) Farmers' and Fruit Growers' Association was created in 1889. Citrus producers of 1891 were represented by such cooperative marketing agencies as the Orange and Vegetable Growers' Auction Co. and the Florida Orange Growers' and Dealers' Protective Union.

In the Northwest, the Hood River Fruit Growers' Union of Oregon was formed in 1893 to develop markets for strawberries, cherries, and blackberries. The Hood River Apple Growers' Union appeared in 1903. These were later merged to form the Apple Growers' Association. A grape marketing cooperative operated in western New York in 1885, and in 1897 the Chatauqua and Erie Grape Co., Westfield, N. Y., formed.

Few of the original cooperatives in the fruit and vegetable marketing field remain; yet many of today's well-established cooperatives trace their origins to the pioneers of the late 1880's. The California Fruit Exchange, located at Sacramento, is one of the few early cooperatives whose operations have been carried on continuously. This association was established in 1901. It specializes in the marketing of deciduous fruits for its area patrons.

Some of the large number of cooperatives sponsored by the National Grange during the 1870-90 period of development marketed fruits and vegetables. Influence of the Granger movement waned in the closing years of the 19th century. Few of the original fruit and vegetable associations are still remembered.

The peak in fruit and vegetable marketing cooperative numbers was reached in 1930 with 1,386 units reporting to the U. S. Department of Agriculture. An incomplete survey conducted by the Department in 1913 listed 456 cooperatives marketing fruits and vegetables valued at \$70

million. In 1915, a more comprehensive study indicated there were 871 fruit and vegetable marketing associations with a membership of 110,000. Their annual business amounted to \$202 million. These organizations were widely distributed throughout the United States with but four States reporting no organized fruit and vegetable marketing associations.

Develop in Many Fields

Members have been asking for, and receiving, more services from their associations, particularly with respect to packaging and processing. Cooperatives, recognizing the market potential of processed fruits and vegetables, are taking part in the ever-increasing trend toward more processing. Many fruit and vegetable cooperatives have started freezing and canning. They thereby increase their market opportunities through lengthening their lines of products and extending the marketing seasons. Cooperatives do considerable consumer packaging for their members. They put up 5-pound and 10-pound potato packs, tomato and celery cartons, and oranges and apples packed in attractive cotton mesh bags.

Market reports and related information, which aid in the placing, planning, and actual movement of fruits and vegetables to market, now become more important in reducing costs. At the same time, such reports help ease seasonal glut conditions which frequently develop with perishable goods. Two-way radios and field telephones used by association fieldmen expedite the movement of fruits and vegetables. One Florida cooperative, organized originally to represent grower members in marketing their crops, distributes up-to-the-minute market news to its membership in addition to carrying on its bargaining activities.

Deciduous Fruits and Berries.—With the exception of apples, figures currently available for cooperatively marketed fresh deciduous fruits and



Cherries rate high on the list of cooperatively marketed fruit.

berries are incomplete. It is known that 194 associations marketed deciduous fruits and another 67 cooperatives marketed berries during 1952-53. Most of these organizations were primarily concerned with handling the fresh product. Many of the berry cooperatives, however, consisted for the most part of small, loosely knit organizations with services limited to grading, packing, and loading members' fruit. Some berry associations are successfully using air shipment in reaching the early strawberry market.

Nearly 60 percent of all deciduous fruit production was marketed in processed form by 1955. Cooperatives figure prominently in marketing fresh cherries and grapes. Their most important crop is apples which, despite a decline of more than 65 percent in volume since 1945, still account for more than \$30 million in annual sales.

Apple cooperatives have been most enterprising in diversifying their operations. Their activities in recent years have included merchandising frozen apple concentrate and apple pie premix, as well as an aggressive marketing campaign for popularizing bottled apple juice.

Fresh Vegetables.—The pattern of development for associations marketing truck crops is similar to that of most other commodity groups in the cooperative field. Business volume has steadily increased but it has been accompanied by a gradual decline in the number of associations. During the 1952–53 season, 101 local and 12 federated or regional marketing associations were operating. Their activities were valued at approximately \$70 million. Cooperative shipping point auctions accounted for one-quarter of this volume. Twenty-nine of these auctions were located along the gulf and west coasts and near the large population centers on the eastern seaboard.

Potatoes.—According to a 1953 survey, the number of potato marketing associations has declined 60 percent since 1945. On the other hand, the 56 surviving cooperatives are now doing a larger annual business than their 152 predecessors. Substitution of other foods has been largely responsible for the gradual decline in per capita consumption of potatoes. This reduction has been offset in part by growth in the United States population.

Potato marketing cooperatives did an estimated \$57.3 million business during the 1952–53 fiscal year. This amounted to nearly 8 percent of the entire United States production. Cooperative marketing agencies are well established in Colorado, Florida, Idaho, Maine, and Pennsylvania. A high percentage of the Florida winter crop is also handled by cooperatives.

Potato marketing associations have been under much stress from the wide production fluctuations which characterize the industry. The demand for potatoes, on the contrary, remains relatively fixed. There are few satisfac-

tory alternatives to marketing potatoes in fresh form, although frozen french fries and an improved form of dehydrated mashed potatoes are currently finding good consumer acceptance.

Cooperatives have been hard pressed to develop activities enabling them to render greater marketing service to potato producers. They have, however, assumed leadership in prepackaging potatoes, and their activities have been extended to other areas.

Maine Potato Growers, Inc., Presque Isle, illustrates such broadened activities. In 1949, this cooperative stimulated the establishment of a seed oats certification program. Shortly thereafter, it developed its own grain marketing division and constructed a grain marketing plant. In response to members' requests, Maine Potato Growers, Inc., established an egg marketing facility the following year. Before undertaking the innovations cited above, the cooperative engaged in a substantial farm supply business which also included a successful farm machinery division.

Citrus Fruits.—The citrus crop annually accounts for nearly half of all business carried on by fruit and vegetable marketing associations. The number of citrus cooperatives approximates one-third of all fruit and vegetable marketing cooperatives. They have a good record for sound management and financing and maximum service to their membership.

Citrus production centered in California, Florida, Texas, and Arizona is well-adapted to the marketing services cooperatives can give, particularly to merchandising fresh citrus and citrus products at distant points. Texas growers are fast returning to former production levels following the disastrous freezes of 1949, 1950, and 1951 which nearly wiped out the State's citrus industry. It is estimated that 210 local and 32 federated or regional associations were active in handling a citrus business of \$473 million during the 1952–53 fiscal year.

Inasmuch as more than 80 percent

of all citrus growers belong to cooperatives, industrywide figures have true significance. The trend towards processing of the citrus crop is upward. Just 2 decades ago, 86 percent of all citrus production was marketed in fresh form. Fresh citrus marketings dropped to 52 percent in the 3-year period of 1949 through 1951. Fresh sales of the orange and tangerine crops were down to 45 percent of the total marketed in 1953-54. As much as 66 percent of the Florida crop was processed during the same period. California oranges and tangerines, on the other hand, are still primarily fresh fruit crops with 79 percent of the 1953-54 crop moving in fresh channels. During 1953-54, 53 percent of the total United States production of lemons and 54 percent of the total lime crop were processed.

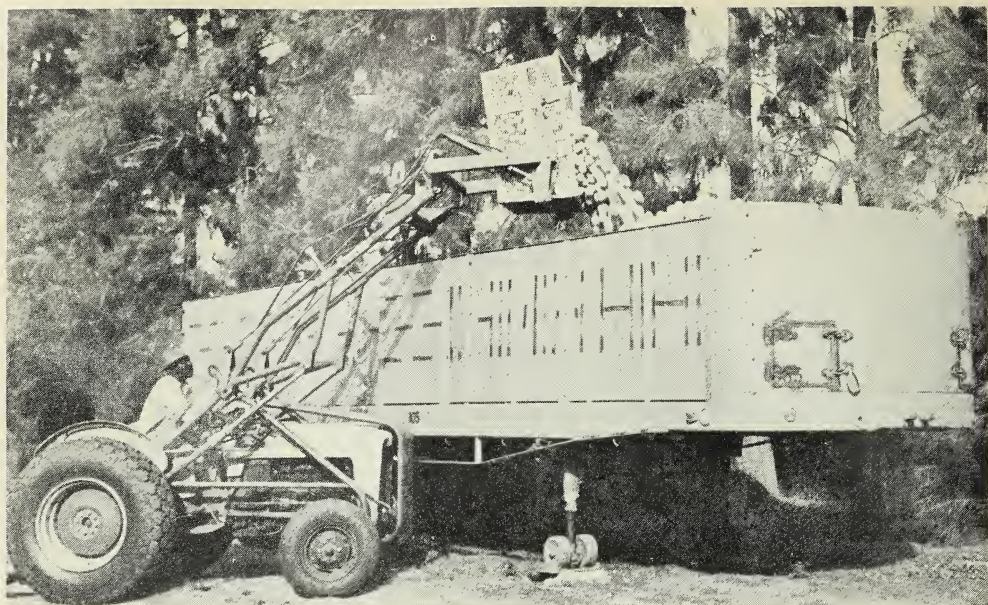
Sunkist Growers, Inc., largest of the cooperatives engaged in marketing citrus, is an overall federation of 175 local associations and 23 district ex-

changes. Before World War II, this organization carried on an annual average business of \$75 million. In 1953, operations had grown to more than \$127 million, in itself a gain of \$6 million over the preceding year. Three-quarters of all fresh citrus shipped from California bears the Sunkist label. The 15,000 producers represented by Sunkist Growers, Inc., include 85 percent of all citrus producers in both California and Arizona.

In their efforts to overcome high costs, citrus cooperatives assisted in carrying on research in bulk handling of fruit with a goal of eliminating the field box. Progress is also being made in consolidating packinghouse facilities to produce field units of more economic size. Lemon packinghouses are using electronic sorters. Cooperatives are also experimenting with a half-bushel shipping carton which includes a new-type aluminum liner capable of preserving the contents for long periods. Seald-Sweet Sales, Inc., of



Three-fourths of all California fresh citrus production utilizes the Sunkist brand of Sunkist Growers, Inc., Los Angeles.



Bulk handling methods cut costs for this orange operation.

Tampa, Fla., has recently appointed a special export manager who has the primary responsibility of developing European markets for its products.

Processed Fruits and Vegetables.—

In the 1952-53 season, the cooperative fruit and vegetable field consisted of approximately 136 local and 25 regional processing associations which carried on an annual business valued at \$365 million. This total, however, includes cooperatives engaged in processing operations such as canning, freezing, drying, and wine pressing.

In their efforts to develop new market outlets, cooperatives have shown increased interest in processing. Fruit and vegetable crops are by nature both bulky and perishable. They present special marketing problems. Processing reduces waste and spoilage and makes the commodity available in a variety of styles on a year-round basis.

Finding suitable outlets for members' products has long been one of the more serious problems of processing associations. There is a constant struggle to establish market outlets. Producers sometimes have purchased facilities with established followings and

trademarked brands, but usually they have developed their own brands and distribution outlets.

The relationship between amounts of fruits sold in fresh form and those processed before sale is undergoing significant changes. These changes have direct relation to the cooperative pack. Most notable is the increased use of the freezing process. With vegetables, the per capita gain noted in frozen volume is reflected in the overall increase in the use of vegetables. The increase in frozen fruits, however, appears to be at the expense of the fresh product.

Canned.—Over 75 fruit and vegetable marketing cooperatives were actively engaged in canning operations in 1952-53.

Figures for the 1948-49 cooperative fruit pack show that berries, peaches and pears comprised three-quarters of the total in the proportions of 42, 20, and 13 percent, respectively. The entire cooperative pack for this period amounted to 12 percent of that for the United States. This relationship in volume is one still maintained. Cooperative canneries processed 89 percent of all berries during this period, and

about 5 percent of the entire vegetable pack. Green and waxed beans constituted one-third of the entire cooperative pack.

Per capita use of canned vegetables has increased 50 percent since 1935. Sixty percent of all noncitrus fruit grown in 1951 reached the market in canned form. Two-thirds of this volume originated in California. The principal deciduous fruits canned are peaches, pineapples, apples, pears, apricots, and cherries. As a group, berries constitute an important segment of the total fruit pack. In the order of volume and importance, vegetables packed are as follows: Tomatoes, green peas, sweet corn, snap beans, asparagus, green lima beans, broccoli, and spinach.

Frozen.—Frozen foods first assumed importance and gained national distribution during World War II. Cooperatives were among the leaders of this pioneer period. They continue their influential positions in the frozen food industry. Between 1942 and 1953, the pack of frozen vegetables increased sixfold. Since 1948, consumption of frozen vegetables had risen 85 percent and frozen juices and fruits 135 percent.

Cooperative plants continue to add freezing facilities to their other processing operations. The relative importance of frozen fruits and vegetables differs for the various commodities. Grower-owned associations are firmly established in Florida, an area where 95 percent of all orange concentrating takes place.

During the 1954-55 processing season, association-owned plants processed nearly half the record production of 70 million gallons of orange concentrate. Much of this production reached consumers under such cooperative brands as Donald Duck, Seald-Sweet, Holly Hill, Whole Sun, Sunshine State, and Ace High. Frozen lemonade concentrate, a product in which Sunkist Growers, Inc., of California holds a major interest, is cur-

rently recognized as the fastest growing item in the citrus trade.

Dried.—Though relatively few in number, cooperatives wield a great influence in the dried fruit industry. In 1952-53, 12 associations were marketing dried fruit. These carried on a business valued at \$41 million, then determined to be roughly 4.3 percent of total sales of all horticultural products by cooperatives. The total of dried fruit produced annually equals one-sixth of all fruit marketed. In 1951, this was estimated as 500,000 tons. California processes over 90 percent of all dried fruit produced in the United States.

Organizations such as the Sun-Maid Raisin Growers of Fresno, Calif., and the California Prune and Apricot Growers Association, San Jose, hold undisputed leadership in their respective fields. During the 1952-53 fiscal year, 44 local drying associations were reported in operation.

Cooperatives led in developing controlled drying methods with association-owned plants supplying important services to their members. Through the initiative of such cooperatives, purchasers of dried fruits are now assured clean fruit that is uniform in appearance and quality. Crops normally dried for market include raisins, currants, prunes, apricots, figs, peaches, pears, and nectarines.

Other Fruits and Vegetables.—The discussion which follows briefly outlines some of the diversified fruit and vegetable crops marketed in substantial amounts by farmer-owned cooperative associations. The crops described are considered representative of this large group.

Avocados.—The avocado crop amounting to more than 22,000 tons annually owes its existence as a commercial venture largely to cooperative enterprise. Avocado production is restricted almost entirely to California and Florida. Associations market more than 75 percent of the crop each year. Effective promotion is demonstrated in merchandising the avocado

crop, for until recently avocados were regarded as rare tropical fruit.

Calavo Growers of California, with headquarters at Los Angeles, is a 5,000-member organization which packs and grades avocados and limes. It also owns and operates a sales organization which has been eminently successful in related marketing activities. To help their plants operate on a more nearly complete schedule, Calavo has taken on the distribution and processing of other subtropical fruit. Credit for the association's record volume during the 1951-52 fiscal year, when avocado quality was below average, was largely due to these added activities.

Cranberries.—Two cooperatives, one federated and the other of the centralized type, predominate in marketing the cranberry crop. Eatmor, Inc., Chicago, Ill., formerly known as the American Cranberry Exchange, and the National Cranberry Association of Hanson, Mass., together annually market more than 80 percent of the crop. Their Eatmor and Ocean Spray brands

are household words. All cranberry production was valued as \$14.5 million in 1952.

Cooperatives have demonstrated aggressive leadership in merchandising the cranberry crop in fresh and processed forms. Formerly regarded as a holiday item, cranberries are now consumed on a year-round basis. This development largely resulted from cooperatively fostered merchandising and technical improvements in both the fresh and processed product. Cranberries are marketed fresh and also as canned cranberries, sauce, preserves, juices, and other products. A newer product is the combined apple and cranberry juice drink. A frozen cranberry juice concentrate appears to be winning wide acceptance in the consumer market.

Prepackaging fresh cranberries has replaced the bulky, 24-pound wooden box. Cooperatives use convenient 1-pound cellophane bags and attractive window box cartons for more than 95 percent of the fresh marketed crop.



Cranberries in fancy dress, packed by Eatmor, Inc., formerly American Cranberry Exchange.



Modern cooperative marketing methods are used in merchandising the ancient date crop.

This changeover has been accompanied with little increase in packaging costs.

Since 1942, with few exceptions, more than half the cranberry crop has been processed. In 1952, the proportions were 45 percent sold fresh and the remaining 55 percent processed. Production of cranberries is concentrated in the States of Massachusetts, Wisconsin, and New Jersey.

Grapes and Wineries.—Most grapes reach the market as fresh fruit, or in the form of grape juice, raisins, wine, and brandy. Approximately 60 cooperatives market grapes. More than half of these are in California. Among the California associations, the Sun-Maid Raisin Growers and the two principal wine cooperatives, the Wine Growers Guild of Lodi and the California Wine Association, San Francisco, are the most important. Grape marketing associations exist in some dozen other States where most of the sales are of the fresh product. The

fresh grape juice business, in which the soon-to-be cooperatively owned Welch Grape Juice Co., Westfield, N. Y., is prominent, is discussed in the section on sales promotion (p. 71).

Together the Wine Growers Guild and the California Wine Association handle 13 percent of the entire United States wine production. It has further been estimated that they jointly account for 20 percent of all bottled wine handled by the larger established merchandisers. Much of the wine is shipped to eastern markets in tank cars since California bottlers generally do not find it profitable to compete at distant points. Production of grape brandy for beverage purposes expanded greatly during World War II when use of grain for liquor was restricted. At the close of hostilities, it declined sharply. In 1955 it was again rising.

In 1951, commercial wineries processed 1,643,000 tons of grapes. One-third of this total consisted of wine

varieties. The total crush, however, represented half of all United States production. In many instances, wineries constitute secondary markets for grapes. Amounts delivered for wine are therefore dependent upon the crop size and the existing price relationships found in the fresh fruit and raisin markets. This situation brings about irregular production schedules and frequent surpluses. Cooperative marketing organizations are endeavoring to bring order to this troublesome market condition through regulation of supply and merchandising.

Dates.—A high percentage of the date crop is handled by Coachella Valley cooperatives, known as the California Date Growers' Association and the Associated Date Growers and Packers, both of Indio. Calavo Growers of California numbers dates among its related merchandising activities. The date is one of the oldest of cultivated tree crops with a history that goes back to 3,000 B. C. Production of this crop began in the United States around 1900. In 1951, it was valued as in excess of \$2 million. Until recently, date production was limited to California.

Cooperatives in the United States have pioneered in developing the small consumer date pack. They have also been active in improving the quality of the product, particularly with the institution of modern sanitary methods and improved packing equipment.

Olives.—Five olive associations handle more than 85 percent of the entire United States production. These organizations furnish complete marketing service to their membership. This includes canning and crushing for oil in addition to assembling and grading the fresh crop. Olive production is limited almost entirely to California. Corning, Calif., center of the olive packing industry, owes much of its development to the efforts and foresight of a group of retired clergymen who pioneered in the area more than 50 years ago.

Mushrooms.—Mushroom marketing cooperatives play an important role in a \$50 million industry which employs 15,000 persons. Marketing activities of eastern United States are centered about Chester County, Pa., and adjacent Delaware. The Mushroom Cooperative Canning Co. of Kennett Square, Pa., and the Delaware Mushroom Cooperative Association of Wilmington are associations whose activities are largely those of processing members' crops and furnishing specialized growers' supplies, including spawn. Mushroom growers' cooperatives are also located in Chicago and San Francisco. These organizations handle sales of fresh mushrooms for their members.

Tree Nuts.—The 40 tree nut marketing cooperatives merchandised domestic nuts with a gross value of \$87 million in 1952-53. This was approximately 75 percent of the United States production. In recent years the per capita consumption of almonds, filberts, pecans, and English walnuts has averaged 2½ pounds. Total domestic production amounted to approximately 209,000 tons in 1953. Three-quarters of this total was divided almost equally between English walnuts and pecans. Almonds and filberts, respectively, accounted for approximately 22 percent and 4 percent of the remainder.

The largest single operation in the nut business is the California Walnut Growers Association of Los Angeles. California produces 90 percent of the English walnut crop and the cooperative's 11,000 members account for 80 percent of the State's production.

Marketing activities of the California Walnut Growers Association commenced more than 40 years ago. Much has since been accomplished in stabilizing the industry and adding value to the crop. Two-thirds of all in-shell walnuts now bear this cooperative's familiar Diamond and Emerald brands on their shells and are packaged in colorful 1-pound cello-

phane bags. The cooperative is finding an expanding market for its shelled walnuts which have their freshness assured through use of the vacuum processed tin pack.

Though active in pecan marketing but a relatively short time, cooperatives are rapidly becoming key factors in their merchandising. The Cotton Producers Association of Atlanta, Ga., set up a pecan marketing division in 1950. This unit, whose product is identified by the Gold Kist brand, handled more than 22 million pounds of pecans in its first 3 years of operation and returned savings of \$424,000 to its members.

The California Almond Growers Exchange, Sacramento, markets 70 percent of the entire United States crop of almonds. In 1952-53, it handled more than 46 million tons of in-shell almonds. This cooperative possesses a continuous history of operation dating from 1910. It provides warehousing, processing, and marketing services to a membership of 4,000 growers. Its business volume annually tops \$15 million.

Increase Sales Promotion

Many cooperatives have long recognized the need for advertising and sales promotion work. Lack of effective merchandising, however, still remains a major problem. A multitude of factors are involved in performing a satisfactory job of merchandising a product. Such well-known cooperative brands as Sunkist, Blue Diamond, Welch, Ocean Spray, Texsun, Sun-Maid, Eatmor, Blue Goose, and Sun-sweet are examples of products which have benefited by skillful promotion and extensive advertising.

The merits of a product sold under a brand, however, do not in themselves guarantee their rapid sale. Unless the introduction of a commodity is accompanied by skilled promotion, it may shortly find itself displaced on the

grocer's shelf. Many stores follow the practice of promptly removing an article from the shelves if the turnover falls below a predetermined rate. This policy has the effect of discouraging the introduction of new and improved food items while at the same time limiting the choice open to customers.

Americans are more conscious of the nutritive values of fruits and vegetables. This is evidenced by the increase of 25 percent in per capita consumption of fruits and vegetables since 1930. Leafy green vegetables such as lettuce, spinach, and cabbage have become increasingly important in the modern consumer's diet. Per person consumption of citrus fruits has doubled.

Among the many other changes, perhaps none are more striking than those found in the general living and purchasing habits of the population. Today's housewife is well-informed about good nutrition requirements and the values of individual food items. She differs from her mother, who purchased most of her food supplies in unprocessed form and spent long hours



Mushroom marketing is a well-established cooperative activity.



Effective displays sell co-op products. American National Foods, Inc., New York City, now promotes fruits and vegetables of many cooperatives under the Blue Goose label.

preparing them. More mechanical equipment is now found in the home. By 1950, 8 out of 10 households had mechanical refrigerators and 3½ million homes possessed freezers. The modern housewife has many competing interests and often has a job outside the home. Not only is she willing to pay a higher price for processed foods but she also purchases larger quantities of them.

Urban living, increases in real income, public and private transportation have combined with many other factors to bring about more frequent stops for shopping. This has meant purchases of fewer items at a time and in smaller quantities. There now exists a high degree of dependence upon brands and grades and less tolerance of waste and spoilage. Many chain stores have established their own brands and have successfully promoted these through small price concessions. The self-service supermarket emphasizes the importance of well-known labels and attractive displays. The silent salesman type of promotion is most important in situations where sales clerks are not present.

Among the recent developments in the fruit and vegetable cooperative field was the merging of the nationally known American Fruit Growers organization into the American National Foods, Inc., New York City, N. Y. A

primary consideration in this transaction was acquiring the use of the former's well-known Blue Goose brand of 34 years' standing.

Members of American National Foods, Inc., a cooperative, gained substantially in shipping point sales service through this merger. At the same time, growers obtained a comprehensive marketing program for fruits and vegetables. Plans were under way when this bulletin was prepared to lengthen the line of products sold under the Blue Goose banner and to expand into the processed fruit and vegetable field.

Formation of this cooperative sales agency culminated a sequence of events in fruit and vegetable marketing which began in 1911 with the organization of the North American Fruit Exchange. The latter cooperative, designed to furnish both shipping point and terminal sales service to shippers, was acquired by the Federated Fruit and Vegetable Exchange, a growers' cooperative sponsored by the American Farm Bureau Federation, in 1923.

The Federated Fruit and Vegetable Exchange, Chicago, Ill. (later New York City), operated until 1930 when it was dissolved because of financial troubles arising from the extension of credit to member associations. In 1932, under the auspices of the Federal Farm Board, a new organization called the National Fruit and Vegetable Growers, Inc., Chicago, Ill. (later New York City), was formed. Associations which formerly were members of the Federated Fruit and Vegetable Exchange provided a nucleus for the new organization.

The National Fruit and Vegetable Growers, Inc., which had developed a satisfactory working relationship with the American Fruit Growers, a commercial organization, through operation of the latter's terminal markets, was replaced in 1937 by the American National Cooperative Exchange, Inc. In its new form, ANCE continued its

services for AFG, in addition to carrying on market activities for its member associations. The merger in 1954 of these two marketing agencies was a natural development in their relations.

Purchase negotiations of the Welch Grape Juice Co.—85 years old in 1955—by the National Grape Cooperative Association of Westfield, N. Y., constitutes another important development in cooperative marketing. The National Grape Cooperative Association is a 5,000-member marketing organization whose members produce half the entire United States crop of Concord grapes. At the time this publication was written, it was rounding out its fourth year of purchase activities under a special plan wherein net earnings from participation are distributed to members in the form of stock certificates. Already more than \$8.5 million of the total purchase price of \$15 million had been attained.

Chief incentive in the Welch transaction was the nationally advertised Welch brand, a highly regarded trade

name supported by more than \$40 million of advertising over a period of years. Consummation of the sale of company assets will place the cooperative in possession of 10 fully equipped processing plants, patents, and a thriving business estimated to be worth \$34 million annually. Products now sold under the Welch brand include grape juice, a new frozen grape juice concentrate, and jam and jelly specialties.

The 1955 announcement of a joint sales promotion program by Sun-Maid Raisin Growers of California and the California Prune and Apricot Growers Association, which is in addition to their regular advertising, shows cooperative teamwork at its best. These two firms, the former marketing its products under the Sun-Maid brand and the latter utilizing the Sunsweet label, had a combined advertising budget of \$2 million for the season. The display of dried fruit products of both firms in the same advertising media publicly illustrates the cooperative principle of working together.

Grain Growers Practice Cooperation

by Thomas E. Hall and Edward B. Ballow

FARMERS are well represented by their own cooperative associations at both local shipping points and terminal grain markets. A total of 2,748 associations marketed grain, including soybeans and soybean products, during the 1952-53 marketing year. Of this number 2,712 were operating at the local shipping point and 36 were operating on subterminal and terminal markets.

Gross volume that year of these associations was \$2.4 billion, including interassociation sales made by the 36 cooperatives amounting to \$831 million. That put grain second in dollar volume among the commodity marketing cooperatives.

Associations are classed as grain co-

operatives when a majority of their total sales is derived from grain, soybeans, and soybean products. Under that classification during the 1952-53 crop year there were 2,162 associations whose total sales were predominantly grain. Of this number, 21 were grain regionals—those operating on subterminal or terminal markets whose grain sales were mostly for local shipping point associations. An additional five regionals were predominantly soybean associations.

In 1952-53 grain regionals and local shipping point associations had gross grain sales of \$2.2 billion or 93 percent of all cooperative grain sales. The remaining 7 percent of total cooperative grain sales that year were made

by 586 associations—chiefly farm supply purchasing cooperatives—operating at local shipping point locations, whose grains sales were less than half their total sales; 7 regional farm supply purchasing associations; and 4 regional associations of other types (fig. 6).

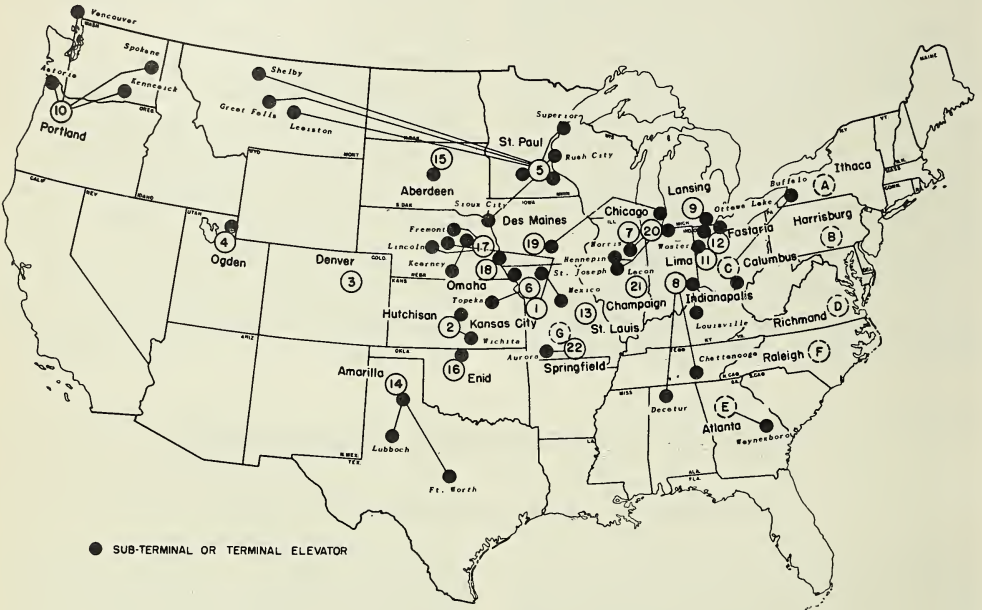
During the 1952-53 crop year, Illinois led all other States in the value of grain, soybeans, and soybean products marketed for farmers directly by

their cooperative associations. The next four States in the order of grain marketing volume were North Dakota, Iowa, Kansas, and Minnesota.

The general objectives of grain cooperative leadership fall into two classes:

1. To improve efficiency of operation in grain marketing by getting cost advantages of larger volume operations.

Figure 6.—Location of regional grain marketing services and their sub-terminal and terminal elevators.



Headquarters of regional grain marketing associations

1. Equity Union Grain Co.
2. Farmers Cooperative Commission Co.
3. Farmers Grain and Bean Co.
4. Farmers Grain Cooperative.
5. Farmers Union Grain Terminal Association.
6. Farmers Union Jobbing Association.
7. Illinois Grain Corp.
8. Indiana Grain Cooperative, Inc.
9. Michigan Elevator Exchange.
10. North Pacific Grain Growers.
11. Ohio Equity Exchange Co.
12. Ohio Farmers Grain Corp.
13. Producers Grain Commission Co.
14. Producers Grain Corp.
15. South Dakota Wheat Growers.
16. Union Equity Cooperative Exchange.

17. Westcentral Co-op Grain Co.
18. Farmers Union Co-op Elevator Federation.
19. Iowa Farmers Grain Dealers Association.
20. Illinois Grain Terminals Co.
21. United Grain Co.
22. M. F. A. Cooperative Grain and Feed Co.

Other regional cooperatives with grain marketing departments

- A. Cooperative Grange League Federation Exchange, Inc.
- B. Pennsylvania Farm Bureau Cooperative Association.
- C. Ohio Farm Bureau Cooperative, Inc.
- D. Southern States Cooperative, Inc.
- E. Cotton Producers Association.
- F. Farmers Cooperative Exchange, Inc.
- G. M. F. A. Milling Co.

2. To increase and improve secondary grain association functions and services, such as elevator storage for member grain, and farm supply purchasing activities.

These objectives are resulting in a slightly lower number of grain cooperatives each year, more members, and better service at lower unit costs.

Organize Locals

The economic environment influencing farmers' needs for cooperative grain marketing associations and the value gained from operating experience are the two factors that have played the most prominent role in the history and development of local grain associations. Marketing problems, mostly manmade, stimulated growers into making their first attempts to market grain cooperatively.

Early in its statehood, Wisconsin produced a surplus of wheat and the first farmers' elevator in this country was built at Madison in 1857.²⁴ Farmers probably built elevators in other sections about this period, but no records are available to show that they did. It is reported that improper management combined with destruction of the facilities by fire to end operation of the Wisconsin elevator.

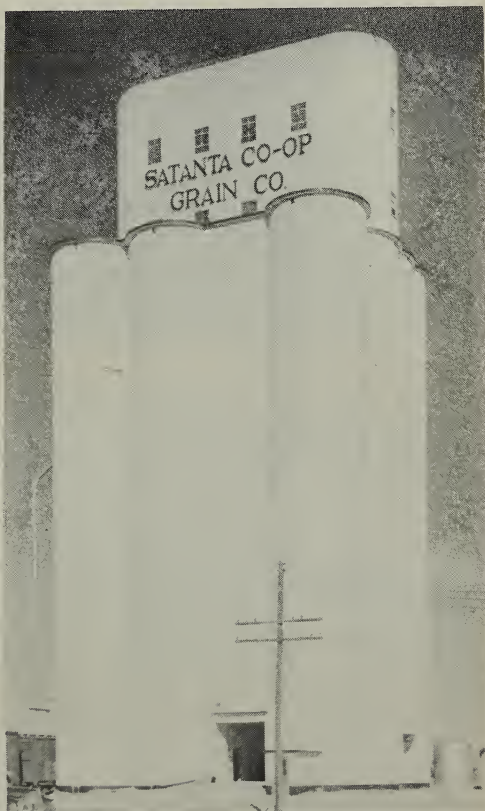
Following the Wisconsin effort 3 farmers' elevators were built in Iowa—1 each in 1867, 1869, and 1871. About this time the idea spread in other grain States and a number of farmers' elevators were built. News items of the period report: "The Patrons of Husbandry . . . the Grange . . . of Illinois owned or leased 80 elevators in 1874."

In the early 1870's Grange associations organized a number of farmers' elevators and mills in Minnesota. Apparently the mills were profitable at

first because the prices paid to their members were comparatively good. Yet the elevators were not entirely satisfactory. All these Grange facilities eventually were closed or sold to commercial interests; the last apparently was discontinued in 1878.

From 1876 to 1885 the number of cooperative elevators in operation declined rapidly. Early failures and a temporarily improved general price level from 1879 to 1883 slackened interest in this form of cooperation. From 1883 to 1886, there was no farmers' elevator in Iowa. No authentic information exists of the survival of any farmers' elevator organized before 1884.

Despite their short lives the earliest farmers' elevators apparently served a useful purpose. Farmers gained ex-



New style concrete elevator of Satanta (Kans.) Co-op Grain Co.—typical of many springing up over the Wheat Belt. Over 2,000 local associations handle grain for their members.

²⁴ HIBBARD, B. H. THE HISTORY OF AGRICULTURE IN DANE COUNTY, WIS. Univ. of Wis. Bul. 101. pp. 68-214. illus. 1904 (Wis. Univ. Econ. and Pol. Sci., 1 (1)).

perience from them. They also learned something of the increased power and benefits of united effort, and to this they turned again in the middle 1880's.

This new development got under way about 1886. It continued to expand almost unchecked until farmers were represented at practically every shipping point throughout the Grain Belt. Such representation resulted from the ownership of elevators or from the influence of such ownership at nearby stations.

The great expansion came in the period from 1900 to 1920 and reached its peak in 1919 and 1920. An estimated 4,000 of these organizations were operating in 1920. However, from this year until 1945 they decreased in number. Farmers formed fewer new organizations each year after 1920 because they were already well represented in the principal grain shipping areas. Farm trucks came into use. Such improved transport made long farm-to-market hauls practical and decreased the need for an elevator at every small shipping point.

From 1945 to 1955 relatively little change occurred in the number of associations. Nearly as many new associations formed as failed or changed ownership. This contrasts with a steady yearly decline in numbers from the period 1920-45.

There are many recorded instances of grain cooperatives going out of business that should not be counted as complete failures. These failures did not result in much, or in most instances any, real loss to stockholders and patrons. Instead these associations had successfully served an economic purpose during a period of need. They gave way because changed conditions made it possible for their members and patrons to be served more conveniently by other cooperatives at nearby locations and because of various kinds of management inadequacies.

The principal reasons cooperatives in this group went out of business were as follows:

1. Many were never adequately or properly financed. Often the amount of fully paid-in capital stock was sufficient only to get control of a building. The organization started in debt and frequently paid out all operating savings in dividends to stockholders. Carrying a mortgage with practically no cash reserves was often too great a burden for a farmers' elevator.

When needed operating capital was not available from local banks, the elevator often obtained it from grain commission firms. This assistance usually entailed shipping all the grain to the financing company. Freedom of choice in markets is necessary to an efficient job of grain merchandising.

2. The best men were not always chosen to serve as directors. Farmers' elevators will not run themselves. Successful direction calls for men of real business ability, capable of getting and keeping the confidence and support of both members and potential members.

3. Directors failed to make adequate investigations of men employed as managers. A manager unsuited to the job and not understanding the techniques or the purpose was handicapped from the beginning. The ruin of many grain cooperatives can be charged to employment of unqualified personnel.

4. Adequate or efficient accounting was lacking. In a large number of cases no attempt was made to determine the effect of operating practices on the financial condition of the business until the end of 12 months. Even this service might be delayed for another 1 to 3 months, depending upon the availability of an outside accountant. Thus a period of 13 to 15 months often elapsed before the officials learned operating results and the financial status of the association. Frequently the records were poorly kept and it was impossible to prepare adequate statements. Keener appreciation by managers and directors

of the value of efficient accounting might have saved many local grain cooperatives from bankruptcy.

5. Members, and sometimes directors and employees, failed to understand that the association existed solely to serve its farmer owners and patrons. When directors and employees lost sight of the differences in corporate relationship between their farmer patrons and the farmer patrons of other than cooperative grain firms, the cooperative became just another grain elevator to its members. Thus, in trying to weather adversities the cooperative lost the strength peculiar to its corporate setup.

Form State Associations

Grain cooperatives in many States eventually formed Statewide associations. Some of these in turn formed two national organizations. In the 3 decades following the first attempts at cooperative grain marketing, grower efforts were directed toward local marketing associations but with little operating success. Apparently no central or overhead organization was considered before 1889. In that year, 5 local farmers' elevators in 1 county in Iowa formed an association among themselves. It proved unsuccessful, but the movement for overhead organizations assumed definite shape about



In contrast to old-time threshing, combine crews now often complete harvesting in an area in 2 or 3 weeks. Elevators must handle almost the entire crop in that short period.

14 years later. The Nebraska Farmers' Grain Dealers Association was organized in 1903; the Illinois Farmers' Grain Dealers Association, in 1903; and the Farmers' Grain Dealers Association of Iowa, in 1904. During the period 1903-19 such organizations were set up in practically all of the Grain Belt States.

These first overhead organizations did not market grain. However, they helped greatly to stimulate cooperative endeavor. State associations helped new companies to organize and old ones to reorganize. They helped to secure elevator sites and side tracks and took up questions of insurance, grain losses caused by leaky cars, shippers' rights in terminal marketing, accounting and auditing, and various other problems. Generally such overhead organizations have had a stabilizing influence among local farmers' elevators in the areas served.

States Form Nationals

Objectives of the two national associations are much the same. They seek to encourage development of cooperative grain marketing locally and in the terminal markets to the extent that improved service can be rendered.

Both strive to support cooperative principles and to improve market practices to give the grain grower the largest possible return for his products.

Farmers National Grain Dealers Association.—Plans were made to form a national association of the State associations at a meeting of State association secretaries from Illinois, Minnesota, Nebraska, Iowa, North Dakota, and South Dakota at Minneapolis, Minn., on May 17, 1912. At that time only these six States had statewide associations. Following this meeting, these State associations organized the National Council of Farmers' Cooperative Associations in Minneapolis on June 18, 1912.

The National Council functioned until March 1920. Then at the annual meeting in Chicago, its name was changed to Farmers National Grain Dealers Association. Headquarters remained at Minneapolis. By that time, or subsequently, the Farmers Grain Dealers Associations of Indiana, Kansas, Missouri, Colorado, Ohio, and Oklahoma were included in the membership. Later the Colorado association combined with the Farmers Grain Dealers Association of Nebraska, and the Missouri association went out of existence.

The 2 largest of the 4 units—each 15 million bushels capacity—built by Union Equity Cooperative Exchange, Enid, Okla., to provide more grain storage space for farmers. It now has 50 million bushels of terminal elevator capacity at Enid.



Within a few years, differences in viewpoints developed over cooperative terminal grain marketing. The State associations of Nebraska, Kansas, Oklahoma, and Iowa, which were most friendly to the activities of the Farmers National Grain Corp.—the national cooperative grain sales agency—withdrew their memberships in the Farmers National Grain Dealers Association.

Membership in the Farmers National Grain Dealers Association then comprised the following State associations: Farmers Grain Dealers Association of Illinois, Bloomington; Farmers Grain Dealers Association of North Dakota, Fargo; Farmers Elevator Association of South Dakota, Aberdeen; Farmers Elevator Association of Minnesota, Minneapolis; Farmers Grain Dealers Association of Ohio, Fostoria; and Farmers Grain Dealers Association of Indiana, Lafayette.

National Cooperative Elevator Association.—In October 1933, the National Cooperative Elevator Association, with headquarters in Omaha, Neb., was organized. Its charter members included the Nebraska Cooperative Association, Omaha; the Kansas Farmers Cooperative Association, Hutchinson; Farmers Cooperative Grain Dealers Association of Oklahoma, Enid; and Farmers Grain Dealers Association of Iowa, Fort Dodge.

Enter Terminal Markets

Experience indicated that the presence of a farmers' elevator at a country shipping point was instrumental in improving practices on that market and that the local association helped to insure the farmer correct weights and grades. In addition experience demonstrated that this competitive element helped reduce local grain buying or handling margins.

It was apparent, however, that although local associations could assist in improving the price structure and trading practices at the local markets, they could not individually affect trading practices, prices and other con-

ditions on the terminal markets. Therefore, if farmers were to continue to develop their cooperative marketing system, they must find ways to extend the cooperative influence into the terminal market.

First Phase—Regional Grain Cooperatives.—The cooperative influence in the terminal markets in the form of grain marketing cooperatives began about 1910, but the real expansion started during the first World War and reached a high point in number of organizations in 1932. Two principal types of terminal marketing or regional grain cooperatives were formed during this period—wheat pool associations and terminal sales agencies.

Wheat Pools.—The wheat pool movement was based on the principles of orderly marketing. Producers holding memberships in the organization agreed to market all their grain through their local elevator. The local elevators in turn combined to make up the pool at the terminal market.

The pool received the grain and advanced to the grower an agreed proportion of the market price at the time of delivery. The organization then attempted to sell an equal amount of all grain delivered in each month during the crop year. The pool operated on a nonprofit basis, returning to its members the entire proceeds above operating costs. Leaders of the wheat pool movement believed that regulating the sale of the grain would stabilize the market price. In no year, however, did the wheat pools handle enough grain to exert the influence intended.

The wheat pool movement reached its height during 1924–25. The 10 terminal market pools then operating reported almost 28 million bushels of grain handled during the season. During the 10 years of their operation, 1921–30, wheat pools handled more than 187 million bushels of grain for their farmer members. The wheat pool movement came to an end in the United States in 1930. At that time

the pools then in operation became affiliated with the Farmers National Grain Corp., organized as a national cooperative sales agency operating at most of the terminal grain markets in the United States.

Several factors contributed to the difficulties of operating the wheat pools and their ultimate discontinuance. One of those was the difficulty of satisfying the member on the price received for his grain. A large proportion of the grain moves out of the hands of producers a few months after harvest. On an advancing market the grower takes a lower price when he sells immediately than if his grain is held for him by the marketing organization, providing storage charges, interest, and other expenses do not amount to or exceed the rise in price. On a declining market it is to the advantage of the producer to sell as quickly as possible. Declines in grain prices after 1928 were a decided handicap to the pool movement. Freedom of the producer to select the time for selling his crop seemed more desirable to many farmers than the idea of orderly marketing of the grain.

Another condition causing dissatisfaction among growers with wheat pools was the fact that they received only about two-thirds of the market price of their wheat at the time of delivery. Although additional payments were made from time to time, final payment usually was not received until the end of the season. Pool members were scattered over a large area and it was difficult for the associations to keep them advised of pool operations.

Terminal Sales Agencies.—As farmers' elevators increased in number they met difficulties in selling through established agencies. The elevators learned that they needed representation on the terminal markets. Agitation for cooperative grain sales agencies began in the Minneapolis-St. Paul market area and the Pacific Northwest in 1908. It was followed by formal organization of the Equity Cooperative Exchange, St. Paul, Minn., in 1911.

By 1920 the Exchange owned a modern 500,000-bushel terminal elevator. It became the terminal sales agency for many farmers' elevators located in North Dakota, South Dakota, and Minnesota. At one time this association represented nearly 100 local elevators. A decline in farmer interest after organization of the wheat pools was among the causes contributing to the failure of the Exchange.

In 1911 the Pacific Northwest Tri-State Terminal Co., Seattle, Wash., was incorporated on a capital-stock basis as a selling agency to furnish terminal marketing service for grain. It acquired a controlling interest in a score of local associations whose grain was to be marketed through the terminal. With the formation of the Washington Wheat Growers Association in 1920, the terminal company lost much of its volume. It ceased operation in 1921.

In 1914 what is now the Farmers Cooperative Commission Co., Hutchinson, Kans., was started as the Equity Commission Co. by 20 farmer elevator associations. In 1955, it maintained offices and operated terminal elevators at both Hutchinson and Wichita, Kans. The Farmers Union Jobbing Association, Kansas City, Mo., was organized in 1914, as a farm supply purchasing association for its member elevator associations. In 1918 this association began handling grain on a commission basis. In 1955 it was operating as a terminal or regional grain cooperative with terminal elevators at Kansas City, Mo., and Topeka, Kans.

In 1916 the Equity Union Grain Co., first known as the Equity Union Exchange, organized at Kansas City, Mo. This association was also still in business in 1955. The Montana Grain Growers, of Great Falls, Mont., organized in 1918. This association operated for only 3 years, going out of business in 1921.

Following 1920 the regional cooperative marketing agencies for grain developed rather rapidly. By this time there were enough local grain coopera-

tives to center attention upon the development of cooperative terminal sales agencies. Available records indicate the number of sales agencies active in the various markets increased from 5 during the 1919–20 season to 26 during the 1937–38 season, the year of dissolution of the national sales agency. The peak number, 29, was reached in the 1932–33 season.

Second Step—Farmers National Grain Corporation.—The years during and after World War I, as already stated, saw the development of terminal cooperative sales agencies. These selling agencies, usually began to operate on a specific terminal market with member elevators in the normal market region—thus the term regional grain cooperatives.

The Farmers National Grain Corp. was established on October 29, 1929, by the terminal or regional marketing associations. For some years previous to 1929, various attempts had been made to establish a national sales agency for grain cooperatives. Leaders in the cooperative grain marketing movement believed such an agency would serve many constructive purposes. It was expected to do much to coordinate the activities of the regional or terminal marketing associations, minimize speculation, and enable growers through their own organizations to exert more influence on terminal market prices and practices.

When the Farmers National Grain Corp. was created, there were some 3,600 local farmer elevator cooperatives. In 1928–29 these handled about 500 million bushels of grain. In this season, 7 wheat pools handled about 15 million bushels. Twelve terminal sales agencies handled about 52 million bushels.

These data show that the volume of business handled by local cooperatives was large. Of this quantity, however, only 67 million bushels was handled cooperatively on terminal markets by wheat pools and other regional sales agencies. Thus, the need of the movement at that time seemed not so much



This automatic hydraulic truck dump can unload grain from even the biggest van in 6 minutes. Farmers Union Grain Terminal Association, St. Paul, uses it at its river terminal.

an increase in total volume of business as greater coordination among the farmer organizations. Individual farmers' elevators put their wheat on terminal markets in competition with one another. Both pools and sales agencies often solicited the business of the same farmers. Therefore, much of the energy of the movement was wasted in competition among cooperative organizations of different types.

In December 1935, 23 cooperative terminal grain marketing associations, commonly known as regionals, were stockholders in the Farmers National Grain Corp.—the national sales agency. Nearly all of these had turned over their marketing functions to that organization. In 1935, the National controlled a total terminal elevator capacity of about 40 million bushels, nearly 18 million bushels of which represented owned facilities, and about 22 million bushels were leased facilities. However, this move toward centralized marketing did not hold the support of enough local associations. Upon dissolution of Farmers National in 1938, most of the owned facilities were acquired by the reorganized regional terminal sales agencies.

Return to Regional Marketing.—Terminal or regional cooperative grain marketing associations, as they were reorganized following the dissolution of Farmers National, are those that have as their primary function the grain

marketing services needed at subterminal and terminal markets by cooperative elevators operating at local shipping points. The terminal market or regional cooperatives are nearly all federated. That is, their members, owners, and patrons are the farmer cooperative elevators. Thus they contrast with the centralized type in which the regional association also owns and operates the local elevators and its direct members are the grain producers.

In 1938-39 the principal function of most of the regional grain cooperatives was a grain brokerage or commission selling service. As of 1955 most grain is purchased "to arrive" or "on track" and merchandised through subterminal or terminal elevator facilities. In 1938-39, 9 of the 18 regionals operated subterminal or terminal elevators with a total of 19½ million bushels of capacity, most of which was leased. During the 1954 harvest season 22 grain regionals operated about 149 million bushels of subterminal or terminal elevator capacity located at 42 different markets. Practically all this 1954 capacity was owned by cooperatives, about 100 million bushels of it having been built since World War II.

Leadership on the part of grain regional management in modernizing and expanding elevator capacity since

World War II has been of great value to grain farmers in the wide areas served by the regionals. It has meant that farmers can store more of their crop. Thus, they can get the loan value established by the Government, rather than the lower harvest-season price.

National Federation of Grain Cooperatives

On February 21, 1939, the regional grain cooperatives organized the National Federation of Grain Cooperatives. It has its executive offices in Washington, D. C. The Federation was organized for:

1. Assisting and advising its members on Federal and State legislation affecting them or their producer members.

2. Keeping its members informed on legislative matters.

3. Aiding and assisting its members in their dealings and relations with State and Federal Governments and departments thereof.

4. Informing its members from time to time on other matters of interest to them and their producer members.

The original membership consisted of seven large regional cooperative grain marketing associations. In 1955, the Federation's membership included 19 regionals and 3 large dry bean marketing associations.

Cooperative Livestock Marketing Came Early

by C. G. Randell

COOPERATIVE action among livestock producers dates back to colonial days. Among the earliest cooperative activities recorded was the organization of societies for importing purebred cattle, beginning in 1785. Community drives of livestock from Virginia and the Carolinas to the coastal cities of Baltimore, Philadelphia, and New York started about 1794. Later cooperative developments

took the form of public auction sales of purebred cattle in Ohio in 1836.

About a million farmers and ranchers now send their livestock to market through cooperatives. Livestock and livestock products, with their \$1.5 billion volume of business, ranked third among all cooperative marketing groups in 1952-53. That same year, a total of 671 associations handled livestock and livestock products.

Growers Organize Locals

The first local cooperative shipping association, the Farmers Shipping Association, was organized at Superior, Nebr., in 1883, according to available records. This association of Nebraska and Kansas farmers, formed to assemble and ship livestock by rail to central markets, operated continuously for over 50 years. The shipping association movement spread into other mid-western States during the early 1900's, being most successful in Minnesota, Wisconsin, and Iowa.

By 1916 more than 600 of these locals were in operation. The period from 1917 to 1923 was one of rapid expansion. By 1924 an estimated 5,000 locals were assembling and shipping livestock by rail from country points to terminal markets. The majority of these local shipping associations were located in the Midwestern Corn Belt States. Their function was to provide shipping service for a limited area around a rail loading point.

The bulk of the patrons of the local shipping associations were small farmers, or less-than-carload shippers, who had only a few head of livestock to sell at a time. The shipping association enabled them to patronize markets they otherwise could not reach unless they pooled their livestock with that of other farmers in the area.

The associations consigned practically all livestock shipped by patrons to commission sales agencies at terminal markets. These sales agencies fed, watered, sorted and sold the livestock; prepared account sales; and remitted net proceeds to the local shipping association manager. The manager distributed checks and account sales to patrons.

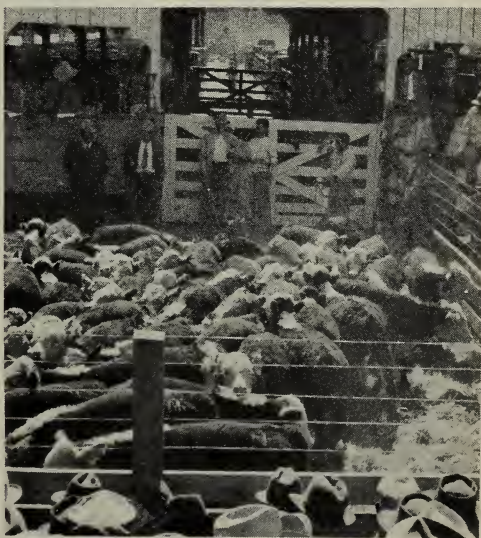
County shipping associations, organized on either a federated or a centralized basis, followed closely in the wake of the development of local livestock shipping associations. In the federated type, the local association assembled and shipped the livestock from local country points, and the fed-

eration's central office forwarded all returns and account sales back to the local association. In many cases the local manager prorated the proceeds and sent the checks to the individual patrons. The centralized type, largely confined to Ohio, was the forerunner of the modern concentration yard. In the centralized type of operation, livestock from a relatively large area was concentrated for sorting and assembling into carloads. This concentration of volume made more frequent shipments possible.

Since 1924 the number of local shipping associations has declined sharply. In 1954 approximately 500 locals were estimated to be in operation. Practically all of these function as truck associations. Only a few associations continue to ship livestock by rail.

Among the principal reasons for the decline of local livestock shipping associations are the following:

1. Extension of hard-surfaced, all-weather roads which make it possible for trucks to move livestock at any season direct from farm to market without the intermediary of the local livestock shipping association.
2. Shorter time required in moving



Auction selling of livestock is an established marketing practice in all sections of the country.

livestock from farm to market if trucks are used than if the livestock was first delivered from the farm to the local loading point and then shipped to market by rail.

3. An element of flexibility introduced by trucking into the transportation picture and unmatched by either the local shipping association or the railroads.

4. Decentralization of the packing industry with the location of more processing plants near sources of supply.

5. Growth of livestock auctions and small markets throughout the producing areas.

6. Buying by packers and slaughterers at country points or direct from farmers.

The local shipping associations performed worthwhile services for livestock producers at a time when transportation to market was a difficult problem for the small farmer. They provided means for local assembling and shipping of livestock when no other facilities for the less-than-car-load shipper were available. They were a major factor in reducing mar-

gins between local and terminal market prices. They also were of educational value since they familiarized producers with the differences in market values of various grades and weights of livestock.

Furthermore, the local livestock shipping associations taught farmers the benefits of working together in solving some of their common marketing problems. They also formed a sound foundation for establishing farmer-owned cooperative sales agencies at terminal markets.

Establish Sales Agencies

The next important marketing step taken by farmers was establishment of cooperative sales agencies at the terminal markets where the bulk of the livestock was sold.

These sales agencies were established by producers and representatives of livestock and farm organizations. The organizers believed that, through the operation of producer-owned and controlled agencies, service to farmers and ranchers could be improved and marketing costs reduced.

Figure 7.—Cooperative livestock marketing associations in operation on June 30, 1954.



There was a feeling on the part of these leaders that they wanted to invest in their own business. They believed they could develop agencies which would be competitive pacemakers on the markets where they operated in selling livestock, purchasing stocker and feeder animals, and rendering field service and other services to producers.

Livestock producers made the first organized attempt to establish their own selling agency in 1889 with the formation of the American Livestock Commission Company. It established sales offices at Chicago, Kansas City, St. Louis, and Omaha markets. The cooperative operated successfully for one year but then was forced to close the Chicago branch because membership in the livestock exchange was refused. Without a membership it was impossible to operate. Subsequently agencies at the other markets closed.

A second attempt was made in 1906 through organization of the Cooperative Livestock Commission Co. with sales offices at Chicago, Kansas City, and South St. Joseph markets. A proposed general raise in commission rates on the terminal markets was opposed by leading livestock organizations in the West and Midwest. Failing to halt the raise in rates, the livestock organizations established the cooperative.

The cooperative handled a satisfactory volume within a few months after starting operations. At this point dealers in stocker and feeder animals failed to provide adequate competition for these classes of livestock. Without satisfactory outlets the cooperative could not operate and closed its last office in Chicago in December 1909.

The next attempt was made in 1917 by the Farmers Union of Nebraska with the establishment of a sales agency at Omaha. This was the first cooperative sales agency to succeed. It was still operating in 1955. By 1920 four additional cooperative agencies were established on the St. Joseph, Sioux City, Kansas City, and Denver markets by the Farmers Union. In

addition to these terminal sales offices the California Farm Bureau organized an auction market association in 1918 with headquarters at Hanford, Calif., and branches at several points in the San Joaquin Valley.

About 1920, the American Farm Bureau began to actively sponsor the organization of cooperative livestock marketing associations. In the short space of 5 years, 1922-27, 13 cooperative livestock sales agencies were formed. These associations joined together into the National Livestock Producers Association. In 1930, with the assistance of the Federal Farm Board, the National Livestock Producers Association became the National Livestock Marketing Association. In 1944, the organization changed its name back to National Livestock Producers Association.

In 1953 there were 38 associations operating at 29 terminal markets (table 8). These 38 producer-owned associations operated on 131 markets including both terminal and country points. (See fig. 7 for location of the livestock marketing associations.) This has been brought about by consolidations and organization of new markets.

The name, location, and year of organization of cooperative livestock sales agencies with their branches are shown in table 9.

Twenty-two of these large cooperatives are federated as the National Livestock Producers Association, with headquarters in Chicago. This organization, incorporated in 1930, provides its member agencies with such services as credit, research and market information, transportation, and legal assistance, and publishes a monthly livestock magazine. The national association also carries on educational work, represents its members in legislative matters, and performs public relations service for them. It does no marketing.

Method of Operation.—When first established, most of the sales agencies were set up to operate at terminal

Table 8.—Volume and value of livestock handled by terminal and regional cooperatives, 1918–53

Year	Number of associations	Number of head of livestock handled (in thousands)	Value of livestock handled (in thousands of dollars)
1918.....	3	279	14, 403
1919.....	4	615	27, 191
1920.....	4	755	26, 879
1921.....	7	1, 397	30, 037
1922.....	17	4, 857	96, 331
1923.....	24	10, 086	191, 671
1924.....	28	12, 706	234, 684
1925.....	31	11, 255	283, 132
1926.....	29	11, 105	298, 872
1927.....	29	11, 348	281, 827
1928.....	29	12, 968	297, 658
1929.....	32	13, 542	326, 442
1930.....	34	13, 784	291, 015
1931.....	41	14, 606	208, 893
1932.....	44	14, 205	141, 998
1933.....	46	15, 573	149, 587
1934.....	46	13, 711	153, 694
1935.....	44	12, 596	227, 227
1936.....	43	13, 690	276, 197
1937.....	44	13, 029	287, 146
1938.....	42	12, 640	251, 881
1939.....	42	11, 959	243, 821
1940.....	41	13, 291	256, 961
1941.....	39	13, 210	344, 362
1942.....	38	15, 436	557, 479
1943.....	39	17, 773	644, 581
1944.....	39	18, 240	635, 004
1945.....	39	14, 518	587, 500
1946.....	37	11, 859	570, 908
1947.....	37	14, 055	907, 978
1948.....	37	14, 666	1, 003, 349
1949.....	38	15, 383	975, 563
1950.....	38	15, 821	1, 082, 052
1951.....	38	16, 271	1, 292, 361
1952.....	38	16, 859	1, 176, 432
1953.....	38	16, 638	1, 030, 770

markets. It was customary for livestock to be assembled and shipped to market from country points by rail, either by individual farmers or by local shipping associations. Here it was received on consignment by cooperative commission sales agencies and sold to packers, feeders or dealers. But increased use of trucks and decentralization of packing plant operations brought many changes in livestock marketing methods. More and more livestock began to move through auctions, small markets, concentration

points, and direct from the producer to the packer. This caused sharply reduced volume at many of the larger terminal markets, but receipts at central markets have since shown a tendency to stabilize.

To meet these changed conditions and to maintain or expand volume, many cooperatives set up machinery to service their members at country points. In some instances they established local concentration yards. In others they set up branch sales agencies at smaller terminal markets to serve a

limited trucking territory. In still others farmers organized local auction markets. To coordinate sales and keep prices in line, a number of the various selling agencies exchange mar-

ket information daily by telephone, telegraph or teletype.

A few of these cooperatives sales agencies have been active in organizing local cooperative trucking associations

Table 9.—Terminal and regional livestock marketing cooperatives with their branches, January 1955

Association ¹	Address	Year estab- lished ²
Bushnell Producers Commission Association...	Bushnell, Ill.	1934
California Farm Bureau Marketing Association.	Visalia, Calif.	1918
Branch.....	Madera, Calif.	1941
Branch.....	Fresno, Calif.	1918
Central Livestock Association, Inc.	South St. Paul, Minn.	1921
Branch.....	West Fargo, N. Dak.	1935
Affiliate (Central Livestock Association)...	Billings, Mont.	1940
Chicago Producers Commission Association...	Chicago, Ill.	1922
Cincinnati Livestock Producers Association...	Cincinnati, Ohio	1925
Branch.....	Dayton, Ohio	1935
Branch.....	Hillsboro, Ohio	1945
Branch.....	Springfield, Ohio	1945
Branch.....	Eaton, Ohio	1953
Branch.....	Bath, Ind.	1953
Empire Livestock Marketing Cooperative, Inc.	Ithaca, N. Y.	1946
Branch.....	Bath, N. Y.	1947
Branch.....	Bullville, N. Y.	1954
Branch.....	Gouverneur, N. Y.	1947
Branch.....	Greene, N. Y.	1947
Branch.....	Caledonia, N. Y.	1949
Branch.....	Oneonta, N. Y.	1949
Branch.....	West Winfield, N. Y.	1952
Branch.....	Pine Bush, N. Y.	1953
Equity Cooperative Livestock Sales Associa- tion.	Milwaukee, Wis.	1922
Branch.....	Green Bay, Wis.	1936
Branch.....	Altoona, Wis.	1946
Branch.....	Monroe, Wis.	1948
Branch.....	Dodgeville, Wis.	1948
Branch.....	Lancaster, Wis.	1948
Branch.....	Reedsburg, Wis.	1948
Branch.....	Ripon, Wis.	1949
Branch.....	Richland Center, Wis.	1949
Branch.....	Stratford, Wis.	1952
Branch.....	Boscobel, Wis.	1952
Branch.....	West Salem, Wis.	1952
Evansville Producers Commission Association..	Evansville, Ind.	1923
Farmers Livestock Commission Co.	East St. Louis, Ill.	1921
Branch.....	Springfield, Mo.	1926
Farmers Union Marketing Association.	South St. Paul, Minn.	1922
Branch.....	West Fargo, N. Dak.	1935
Farmers Union Livestock Commission.	Omaha, Nebr.	1917
Farmers Union Livestock Commission.	South St. Joseph, Mo.	1917
Farmers Union Livestock Commission.	Sioux City, Iowa.	1918
Farmers Union Livestock Commission.	Sioux Falls, S. Dak.	1929
Farmers Union Livestock Commission Co.	Chicago, Ill.	1922
Farmers Union Livestock Cooperative.	Kansas City, Mo.	1918
Branch.....	Wichita, Kans.	1923
Branch.....	Parsons, Kans.	1935
Grange Interstate Livestock Association.	Spokane, Wash.	1938

See footnotes at end of table.

Table 9.—Terminal and regional livestock marketing cooperatives with their branches, January 1955—Continued

Association ¹	Address	Year estab- lished ²
Illinois Livestock Marketing Association	Decatur, Ill.	1929
Branch	Bloomington, Ill.	1933
Branch	Urbana, Ill.	1929
Branch	Danville, Ill.	1930
Branch	Shelbyville, Ill.	1930
Branch	Paris, Ill.	1933
Branch	Elvaston, Ill.	1947
Branch	Stronghurst, Ill.	1947
Branch	Freeport, Ill.	1947
Branch	Camp Point, Ill.	1947
Branch	Rushville, Ill.	1947
Branch	Aledo, Ill.	1947
Branch	Bluffs, Ill.	1947
Branch	Cambridge, Ill.	1947
Branch	Erie, Ill.	1948
Branch	Princeton, Ill.	1948
Branch	Elizabeth, Ill.	1948
Branch	Rockford, Ill.	1948
Branch	Byron, Ill.	1948
Branch	Mount Carroll, Ill.	1950
Interstate Livestock Cooperative Association . .	South St. Paul, Minn.	1931
Michigan Livestock Exchange	Detroit, Mich.	1922
Branch	Battle Creek, Mich.	1949
Branch	St. Louis, Mich.	1951
Oklahoma Livestock Marketing Association . .	Oklahoma City, Okla.	1931
Peoria Producers Commission Association . . .	Peoria, Ill.	1922
Producers and Texas Livestock Marketing Association.	Kansas City, Mo.	1923
Producers Commission Association	Sioux City, Iowa	1924
Producers Cooperative Commission Association	Buffalo, N. Y.	1922
Producers Livestock Marketing Association . .	East St. Louis, Ill.	1922
Branch	St. Louis, Mo.	1934
Producers Livestock Commission Co.	Springfield, Ill.	1926
Producers' Livestock Co-operative	Lancaster, Pa.	1943
Producers Livestock Cooperative Association . .	Columbus, Ohio	1925
Branch	Cleveland, Ohio	1923
Branch	Pittsburgh, Pa.	1923
Branch	Washington Court House, Ohio.	1934
Branch	Wapakoneta, Ohio	1935
Branch	Mount Vernon, Ohio	1938
Branch	Toledo, Ohio	1938
Branch	Hicksville, Ohio	1919
Branch	Findlay, Ohio	1940
Branch	Coshocton, Ohio	1944
Branch	Lancaster, Ohio	1944
Branch	Washington, Ind.	1921
Branch	Marion, Ohio	1946
Branch	Bucyrus, Ohio	1946
Branch	Wilmington, Ohio	1945
Branch	South Charleston, Ohio	1942
Branch	Vincennes, Ind.	1935
Branch	Greenville, Ohio	1921
Branch	Chillicothe, Ohio	1953
Branch	Upper Sandusky, Ohio	1953
Producers Livestock Marketing Association . .	Louisville, Ky.	1931
Producers Livestock Marketing Association . .	South St. Joseph, Mo.	1931

See footnotes at end of table.

Table 9.—Terminal and regional livestock marketing cooperatives with their branches, January 1955—Continued

Association ¹	Address	Year established ²
Producers Livestock Marketing Association . . .	Salt Lake City, Utah	1935
Branch	Ogden, Utah	1935
Branch	North Salt Lake City, Utah . . .	1935
Branch	Los Angeles, Calif.	1935
Branch	Denver, Colo.	1947
Branch	Billings, Mont.	1948
Branch	Phoenix, Ariz.	1949
Branch	Brawley, Calif.	1951
Producers Livestock Marketing Association . . .	Omaha, Nebr.	1937
Producers Marketing Association, Inc.	Indianapolis, Ind.	1922
Branch	Columbia City, Ind.	1953
Branch	Amboy, Ind.	1947
Branch	Centerville, Ind.	1948
Branch	Columbus, Ind.	1948
Branch	Lafayette, Ind.	1950
Branch	Logansport, Ind.	1947
Branch	Mentone, Ind.	1953
Branch	Montpelier, Ind.	1952
Branch	Seymour, Ind.	1948
Branch	Terre Haute, Ind.	1954
Progressive Farmers Cooperative Association. .	Sioux City, Iowa	1935
Tennessee Producers Livestock Marketing Association.	Nashville, Tenn.	1932
Texas Livestock Marketing Association	Fort Worth, Tex.	1930
Branch	San Antonio, Tex.	1935
Valley Livestock Marketing Association	Stockton, Calif.	1938
Branch	South San Francisco, Calif. . . .	1947
Branch	Dixon, Calif.	1953

¹ Current names of associations in all cases.

² Indicates original date of cooperative organization.

and by such means have maintained and strengthened their positions. Many local trucking associations not only assemble and transport livestock but also transport live poultry to market. On back-hauls they may bring feed, fertilizer, and farm supplies to local farm purchasing associations or to individual farmers. The most active work in this field has been carried on by cooperatives in Minnesota, Wisconsin, North Dakota, Missouri, and Ohio.

Membership.—While membership provisions vary somewhat among livestock cooperatives, most of them follow the practice of admitting to membership all growers who patronize the association. In a few cases associations require patrons to become affili-

ated with the general farm organization sponsoring the cooperative before being accepted as members of the association. In other cases the purchase of a share of common stock in the association is evidence of membership. A few associations require a written application for membership and upon its acceptance issue a certificate of membership.

Where savings are distributed, most associations pay patronage refunds to members and nonmembers alike.

Services.—Livestock cooperatives represent producers at livestock markets. They seek to improve the business methods used in marketing and provide sales service at cost. In addition to selling, cooperatives purchase for their members and patrons thou-

sands of carloads of stocker and feeder animals, both at terminal markets and direct from range producers.

In Texas, Oklahoma, and Kansas, the cooperatives furnish a pasture service to help their members locate and rent suitable pastures and move their cattle to them.

Livestock cooperatives develop and support standard grades for livestock. Through grading demonstrations, they teach producers the differences between grades of livestock. Through radio, letters, and the press, they furnish producers with reliable market news. Through their field service, educational meetings, market and feed-lot tours, motion pictures, publications and pamphlets, they bring about improved methods of production, feeding, sanitation, and marketing.

Livestock cooperatives have saved farmers and ranchers millions of dollars in lowered commissions, patronage refunds, recovery of overcharges on freight, and claims for losses on livestock in shipment. Through a research department, sales agencies that are members of the National Livestock Producers Association keep their salesmen informed on values of live animals in terms of wholesale meat prices. This information is essential to salesmen when they are bargaining with highly trained and experienced packer and order buyers. Besides informing salesmen, the cooperatives furnish farmers with valuable information on

future feeding prospects and probable marketing conditions.

Cooperatives have also helped to obtain better market procedures and improved facilities and services from stockyard and transportation agencies. At several markets cooperatives have been instrumental in bringing in or developing additional outside buying competition which has strengthened the prices paid for all livestock sold at those markets. Several large cooperatives operate order buying services to purchase and sell feeder livestock and to fill orders from packers for slaughter animals.

Credit Facilities.—Livestock producers and feeders have developed and now own facilities for providing themselves with the credit needed to carry on their businesses. Credit corporations owned by the livestock cooperatives make loans at reasonable rates of interest to livestock producers and feeders for their feeding and grazing operations. Nearly a dozen loan or credit companies have been established in connection with marketing agencies at such widely scattered points as Pittsburgh in the East, San Francisco in the West, Chicago in the North, and Fort Worth in the South.²⁵

Process Meat

Early explorations into cooperative slaughtering and meat processing met with little success. The first attempt on the part of cooperatives to enter the meat processing business was at La-Crosse, Wis., in 1914. During the period from 1914 to 1919, some 13 cooperative meat processing plants were organized. Most of them were in Wisconsin, Minnesota, and the Dakotas. All these early organizations failed, most of them shortly after being started. Farmer investors suffered substantial losses as a result.

The principal causes leading to these failures were unsound promotion by



Livestock cooperatives represent their producer members and patrons in the livestock markets.

²⁵ For further discussion of cooperative credit available to livestock producers see the section beginning on p. 197.

nonfarm interests, lack of producer support, insufficient capital, inability to obtain capable management, and unsatisfactory sales outlets.

In contrast to earlier attempts, most of the later efforts at cooperative meat processing were less promotional, and the plants were smaller. Producers in the vicinity of Centralia, Wash., and Clackamas, Oreg., organized small meat packing plants following World War II, but both ventures failed. The Detroit Packing Company, originally organized as a stock company in 1920, went into receivership in 1933, was reorganized as a cooperative in 1934, and was sold to private interests in 1954.

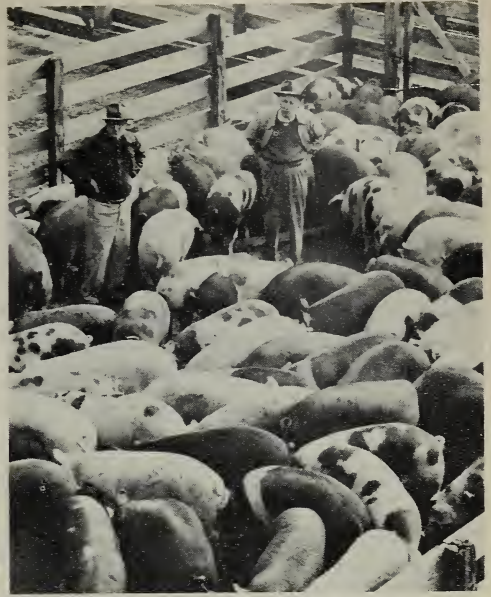
In 1946 the Missouri Farmers Association purchased a packing plant at Springfield, Mo., and in 1955 was still operating it as a cooperative. In Virginia, farmers in the neighborhood of Timberville established the Shen-Valley Meat Packers, Inc., and began operations late in 1949. Both cooperative plants are producing a complete line of packing house products.

Aside from these operations, all the development in cooperative meat processing in recent years has centered around locker plant slaughtering and processing. A few cooperative frozen food locker plants are slaughtering, processing and merchandising meat and sausage on a commercial scale (see p. 169).

Look to Future

The expansion in number of markets means that livestock no longer travels as far to market as it once did. As a result some of the larger livestock markets have become local in character, drawing their receipts from a smaller area than formerly. This trend toward decentralization in livestock marketing, however, seems to be slowing down and leveling off in many areas.

If the livestock cooperatives are to meet these changes in the industry and capitalize on growing opportunities to serve livestock producers, many may need to revamp and expand their present programs along such lines as:



With consumers showing a preference for meat-type hogs, a good goal for livestock cooperatives is hog improvement.

1. Providing more assistance and advice in producing, financing, and marketing improved types of livestock to meet changed consumer demands—meat-type hogs, high-quality lambs, and Good and Choice but not wasteful, overfat beef cattle.

2. Developing an improved and better coordinated selling service. This calls for the sale of livestock on a quality or grade basis in line with wholesale meat values, and the exchange and coordination of market information between sales agencies through regional and national sales offices.

3. Developing the sale and purchase of feeder and breeder livestock and developing more efficient systems of sale and purchase to reduce margins to a minimum.

4. Establishing local marketing facilities and services outside the normal trade territory of terminal markets if needed for producers who prefer to sell their livestock near home. As far as possible such local marketing services should be closely tied in with large regional or terminal cooperatives serving the area, to coordinate sales and market information. This may call for an

order buying service. Such local points might also be used to distribute feeder livestock.

5. Determining the local cooperative assembling, trucking, and distributing services needed by farmers and ranchers. Wherever possible such local associations should be organized and operated on a joint basis with other marketing and farm supply groups to better utilize facilities and labor in hauls to and from market.

6. Expanding research and experi-

mental work to pioneer the way toward improved methods of marketing, processing, and merchandising.

Success in these wider fields of cooperative activity, however, calls for unbiased, clear thinking, careful planning, and broad-gauge leadership. In some instances it may call for joint operations with other cooperative groups. The future of livestock cooperatives is largely dependent upon the degree to which they are able to adapt their programs to the changing trends.

Wool Cooperatives Among the First

by Walter L. Hodde and H. H. Hulbert

WOOL growers were among the first agricultural producers to seek benefits from marketing their product cooperatively. Beginning with local wool pools, they expanded their sphere of operations to the State and regional levels. This development was followed by formation of a national joint sales agency to serve local, State and regional wool marketing cooperatives.

The volume of wool marketed cooperatively fluctuates sharply depending upon market activity and prices prevailing at shearing time. During the several years preceding 1955 it was estimated that 139 local wool pools and State and regional wool marketing cooperatives handled from 45 to 65 million pounds of wool or roughly 20 to 30 percent of the domestic shorn wool clip.

Wool is one of the grower's early cash crops and his need for cash early in the year is one of the important factors influencing his marketing decisions. When the wool market is active and strong at shearing time many growers decide to sell for cash rather than consign their wool for sale at some later date. Depressed, dull markets lead to increased consignment—that is, turning the wool over to

the cooperative to sell when it can. It is during these periods that cooperative tonnage is largest because many cooperatives handle wool only on a consignment basis.

Form Local Pools

Local wool pools date back to 1877 when farmers near Goodlettsville, Tenn., pooled their lambs and wool for selling through the Goodlettsville Lamb and Wool Club. Since that time many wool pools have been organized. In 1955 there were approximately 114 local and county wool pools in the United States.

Wool pools are easy to organize where growers believe they can improve their returns from wool through local cooperative action. Most pools are informal cooperatives, but some are incorporated. The members usually select a committee or board of directors of 3, 5, or 7 men to act for them. The directors decide on marketing procedures for each year and employ or appoint a manager on a part-time basis. County agricultural agents and local bank employees have frequently contributed their time and have been helpful in selling the wool and distributing sales proceeds.

The directors may decide to sell the pooled wool either before or after shearing, or to consign it to a merchant, warehouseman or regional cooperative. Members' clips may be offered and handled separately or the entire pool may be offered as one lot. The wool may be sold at private treaty or by sealed bid. The clips may be graded or sold in the original bags. Members may all receive the same price, or different prices, depending on the marketing methods and procedures chosen by the directors.

The members of a pool usually bring their wool to a local point for weighing and shipping. The pool manager may have the wool "rough-graded" and repacked before shipping. If the wool sells for cash, the pool pays each member in full for his wool on or shortly after the shipping date. However, if the grower consigns his wool he can receive an advance on shipping date and a final payment from the consignee after the wool is sold for the pool's account.

Local wool pools have from a dozen to several hundred members. The volume of wool per pool varies from less than 10,000 pounds up to several hundred thousand pounds. The typical pool in the Western States contains from 50,000 to 200,000 pounds. Mid-western and eastern pools probably average about 30,000 pounds of wool.

A cooperative wool pool needs little or no capital. The expenses are usually less than 1 cent a pound. These are taken out of the sales returns to pay for management, labor, advertising, receiving, weighing, loading, and distributing payments to members.

County pools played an important part in the organization of regional wool marketing cooperatives in South Dakota, North Dakota, Iowa, Virginia, West Virginia, and other States. State colleges and Extension specialists had an important part in helping and encouraging the organization of these associations.

Pools offer producers an opportunity to obtain the following advantages and services: (1) Sufficient volume to attract competition between more or better buyers and between consignment handlers; (2) improvement in the grower's bargaining position through having more experienced, competent men deal with buyers or consignment handlers; (3) savings on freight costs because of larger volume and shipment in carload lots instead of in less-than-carload lots; (4) opportunity to market each clip more nearly according to merit, thus providing incentive for growers to produce the most profitable types of wool as well as to do a better job of preparing it for market; (5) lower costs on bags and paper fleece twine; (6) coordinated shearing services; (7) better informed producers through contact with other producers and Extension specialists; and (8) opportunity to buy and rotate breeding stock.

Organize Regionals

In order to obtain even greater benefits than those to be realized from local pooling, wool growers have organized regional cooperatives that serve one or more States. Most of the regional cooperatives have become important handlers of wool in their respective trade areas. However, some associations lacking good management have gone out of business. Others have shown but little progress. Many regional wool cooperatives continue to expand in volume and services and to make outstanding records for their growers (fig. 8).

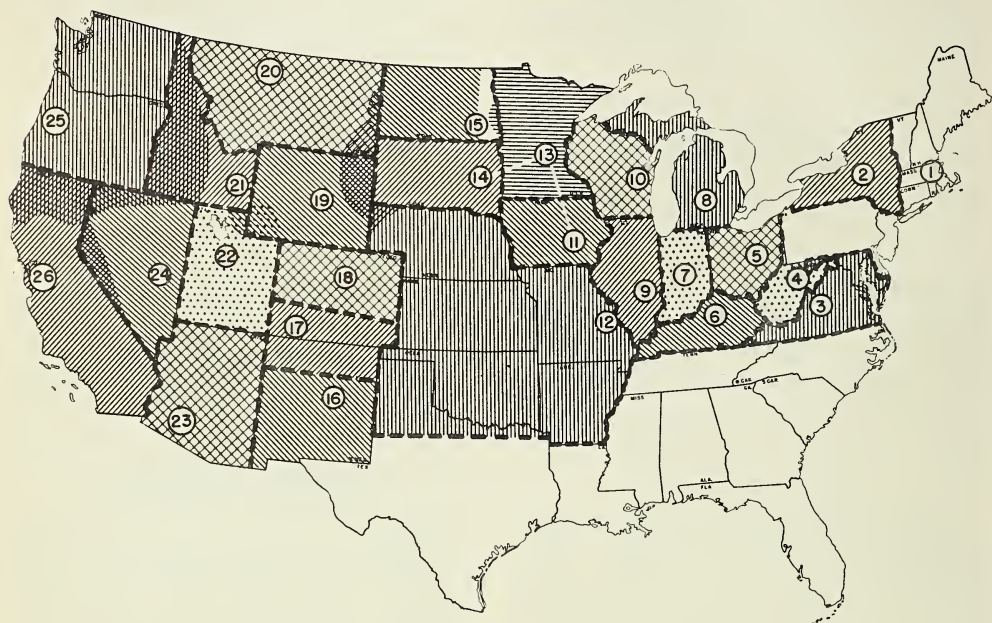
Twenty-three regional associations are federated together and own, control and market their wool through the National Wool Marketing Corporation of Boston. Two regionals serving Ohio and the Oregon-Washington-Idaho area sell their wool independently. Farmer marketing and supply cooperatives run statewide

wool pools in North Carolina and Missouri. The local wool pools of Tennessee and Pennsylvania are loosely federated in State organizations (fig. 9).

The purpose of a regional coopera-

tive is to market wool from grower-members to manufacturers at fair market prices. The cooperative should be a pacesetter if it is to fulfill the purposes for which it is organized. It should be a well-managed business concern that

Figure 8.—Approximate trade areas of State and regional wool marketing cooperatives.



1. National Wool Marketing Corporation, Boston, Mass.
2. New York State Sheep Growers Cooperative Association, Inc., Pen Yan, N. Y.
3. United Wool Growers Association, Harrisonburg, Va.
4. West Virginia Wool Marketing Association, Morgantown, W. Va.
5. Ohio Wool Growers Cooperative Association, Columbus, Ohio.
6. Kentucky Wool Growers Cooperative Association, Lexington, Ky.
7. Indiana Farm Bureau Cooperative Association, Indianapolis, Ind.
8. Michigan Cooperative Wool Marketing Association, Jackson, Mich.
9. Illinois Wool Marketing Association, Paris, Ill.
10. Wisconsin Cooperative Wool Growers Association, Milwaukee, Wis.
11. Iowa Sheep and Wool Growers Cooperative, Minneapolis, Minn.
12. Midwest Wool Marketing Cooperative, Kansas City, Mo.
13. Minnesota Cooperative Wool Growers Association, Minneapolis, Minn.
14. Cooperative Wool Growers of South Dakota, Minneapolis, Minn.
15. North Dakota Cooperative Wool Marketing Association, Fargo, N. Dak.
16. New Mexico Cooperative Wool Marketing Association, Albuquerque, N. Mex.
17. Colorado-New Mexico Wool Marketing Association, Durango, Colo.
18. Colorado Wool Marketing Association, Denver, Colo.
19. Wyoming Cooperative Wool Marketing Association, Cheyenne, Wyo.
20. Central Wool Marketing Corp., Chinook, Mont.
21. Idaho Wool Marketing Association, Inc., Pocatello, Idaho.
22. Utah Wool Marketing Association, Salt Lake City, Utah.
23. Arizona Wool Growers Association, Phoenix, Ariz.
24. Nevada Wool Marketing Association, Ely, Nev.
25. Pacific Wool Growers, Portland, Oreg.
26. Cal-Wool Marketing Association, San Francisco, Calif.

commands the support and loyalty of growers.

The typical regional wool marketing cooperative is controlled by a board of about a dozen directors elected by its grower-members. Any grower who markets his wool through the cooperative becomes a member and has equal rights and privileges with all other members.

Sixteen State and regional wool marketing cooperatives operate warehouses in their trade areas. Nine associations do not operate warehouses but ship their wool to the National Wool Marketing Corp. in Boston for warehousing and sale. All associations that operate warehouses have full-time managers, but some associations do not operate warehouses and have only part-time managers.

All the problems of field service, membership relations, financing, transporting, storing, grading, showing, selling and accounting must be dealt with.

Cooperatives have always advocated the orderly marketing of consigned wool. They stress marketing wool according to the merit of individual

clips. Therefore they encourage members to improve the quality of their wool through good production and shearing practices.

A majority of the cooperatives handle most of their wool on consignment. However, during recent years there has been a trend toward forward selling of wool for later delivery to manufacturers. Some of these forward sales have been fulfilled by the cooperatives purchasing the required wool from grower members. Several associations also offer a straight warehousing service for growers who do their own selling.

The field services of wool cooperatives include education and publicity among growers, soliciting consignments, purchasing wool to fill forward sales, making payments to growers, and receiving and shipping wool. The local agent or fieldman for the cooperative, sometimes with the help of the manager, performs these services.

When wool is to be handled on consignment or is purchased before shearing, the Western grower can obtain a preshearing advance from his associa-

Figure 9.—Location of local cooperative wool pools in the United States.



tion. The preshearing advance may be from \$1 to \$2 a fleece, depending on wool prices.

When consigned wool is delivered to a cooperative the grower can receive a commodity advance usually amounting to from two-thirds to three-fourths of the market value. After consigned wool is sold, the cooperative sends a final accounting to the grower.

After paying expenses incident to handling the wool, the cooperative allocates all savings to patron members. The savings may be returned to the members immediately in the form of patronage refunds paid in cash or they may be retained in the cooperative for a number of years and used as operating capital before being distributed. The income of the cooperative comes from commissions charged on consigned wool and margins realized on purchased wool.

Wool received at the cooperative's warehouse goes into temporary storage. Practically all wool from the Midwestern and Eastern States, plus the mixed clips from the Western States, is then placed in grading lines. Wool received from hundreds of members is graded into large uniform lots of even-running wool. The large lots of graded wool can be sold to manufacturers at better prices than can be obtained by selling small nonuniform lots. The regional wool cooperatives place special emphasis on grading. However, some of the large western clips are uniform enough to sell to advantage in the original bags without grading. Cooperatives serving Wyoming and Utah have graded some large clips at the shearing sheds.

Salesmen who work for the regional cooperatives are selected and employed on the basis of their selling ability and knowledge of wool. The salesmen deal directly with mill buyers who are also expert in appraising wool. The usual procedure is for the salesman and the buyer together to inspect the wool in sample bags or in graded piles. They then come to an agreement on a

clean price per pound. Finally they agree on the shrinkage (percentage of dirt and grease) to figure a grease price. The shrinkage may be estimated or measured by a technical procedure known as core sampling.

Cooperatives also sell some wools on the basis of description without the buyer being present. Mill buyers must have a high degree of confidence in the seller before they will buy wool on description. Nearly all forward sales (for delivery at a later date) are made on the basis of description. The business of forward selling has been attractive to cooperatives and their members during some years. In 1951, for example, wool prices were high before the shearing season and the regional cooperatives forward sold over 20 million pounds for delivery after shearing. Selling on the basis of description has not yet been highly developed. However, regional cooperatives are attempting to improve methods and procedures for forward selling on the basis of description.

Two regional wool cooperatives render complete wool marketing services within their own organizations. These are the Ohio Wool Growers Cooperative Association, Columbus, Ohio, and the Pacific Wool Growers, Portland, Oreg.

Establish Nationals

Wool grower leaders in cooperative marketing have long recognized the desirability of having their own sales representatives show their wool to mill buyers at the principal markets of the country. They also recognized the desirability of their cooperatives having strong bargaining power with banks in order to obtain adequate finances at low interest rates. National Wool Marketing Corporation, Boston, Mass., was organized to obtain strong bargaining power, good financing, expert sales services, and national level representation in legislative matters.

The early history of this organization and other nationals is one of gathering experience through trial and error. The problems confronting cooperative wool marketing associations are similar to those facing any other business. However, the knowledge gained by cooperative management has brought about a long-term improvement trend in cooperative wool marketing.

The National Wool Warehouse and Storage Co., Chicago, Ill., was organized in 1909, largely by western wool growers who were dissatisfied with selling for cash to wool dealers. The company sold stock to obtain money for operating capital and for building a 25-million-pound warehouse in Chicago. It handled all wool on consignment for local pools and western growers.

The company worked closely with leaders among wool growers in organizing several State wool cooperatives. During the spring of 1920 there was a drastic drop in wool prices after the company had made commodity advances to growers which proved to be higher than the sales value of the wool. These high advances left the company

in debt and ultimately caused its liquidation in 1924, because many over-advances were uncollectible.

The National Wool Exchange, which can be considered as a successor to the National Wool Warehouse and Storage Co., began operations in 1925 with headquarters in Boston. The Exchange handled and sold wool on consignment from local and State cooperatives and large growers but made no preshearing or commodity advances. Financing services were handled by member growers and State cooperatives.

The Exchange fostered organization of several State wool cooperatives. It handled wool for cooperatives in Montana, Idaho, Wyoming, South Dakota, Colorado, Nevada, Illinois, Utah, North Dakota, and New York. It obtained capital by selling stock, borrowing from banks and retaining savings in a revolving fund account.

The organization and operation of the National Wool Exchange was an important chapter in the history of cooperative wool marketing. Strictly a sales service organization, much of its experience was gained during a period



Grading wool in warehouse of the Wisconsin Cooperative Wool Growers Association, Milwaukee.

of declining prices which usually make consignment marketing unattractive. However, it helped to demonstrate that growers could improve their bargaining position by selling cooperatively.

Passage of the Agricultural Marketing Act on June 15, 1929, coupled with large stocks and low prices of wool, paved the way for organizing the National Wool Marketing Corp. of Boston which succeeded the National Wool Exchange.

Leaders of existing wool cooperatives met in Chicago in August 1929 and discussed plans for setting up a national wool marketing organization. After several more meetings among leaders in the wool growing industry, the National Wool Marketing Corp. was organized and incorporated under the laws of Delaware on December 24, 1929. The Federal Farm Board played an important role in organizing and financing it.

A widespread interest in cooperative wool marketing associations arose with the organization of the National. Seventeen new State and regional wool cooperatives were formed during late 1929 and the first half of 1930. Many

of these new associations were organized quickly on shaky foundations and survived for only a few years.

Operations of the National and member cooperatives were carried out under most trying conditions during the first 7 years. Volume of wool and mohair sold through the National dropped from 140 million pounds in 1930 to 27 million pounds in 1936. During the first few years of the National's history its operations were carried out somewhat as those of an agent of the Government trying to stabilize wool prices. Since that time, however, the National has operated as strictly a cooperative institution.

Make Progress

Outstanding progress has been made by several regional cooperatives. Other wool cooperatives have made good showings, while several have gone out of business. Wool marketing cooperatives have a variety of problems to cope with. Through experience, study, and experimentation, with the help and loyal support of grower members, they have solved many of these problems.

Poultry and Egg Cooperatives Vary Widely

by John J. Scanlan

FIGURES on the cooperative marketing of eggs and poultry indicate relatively slow but steady growth. The development is of greater importance, however, than is indicated by number and volume of business of specialized associations in this field.

About 150 associations handled poultry and poultry products primarily in 1955. An even larger number of associations, set up principally to market other farm products or to purchase farm supplies, also handled poultry products. Some associations which started as egg cooperatives have increased their sales of feed and other farm supplies until they are classified

as farm supply cooperatives. In addition to the specialized egg and poultry associations, it was estimated that nearly 600 cooperatives handled poultry and poultry products as a secondary line of business in 1955.

According to a 1936 survey, associations then handling poultry products had sales totalling \$69 million. In 1952-53 the sales value of poultry products handled by 696 associations was \$336 million—a fivefold increase in terms of sales value in 17 years.

Table 10 shows, by geographic divisions, number and amount of sales in 1952-53 of these 696 cooperative associations handling poultry products.

Of the total, 434 or 62 percent were in the West North Central division, and 74 or 11 percent were in the East North Central division. However, 508 associations or 73 percent in the North Central region as a whole handled only 28 percent of the poultry products handled by all cooperatives in the country in terms of sales value. On the other hand, in the Pacific division, 26 cooperatives or 4 percent handled 18 percent of the Nation's cooperatively handled poultry products.

Only 148 or 21 percent of the 696 cooperative associations handling poultry products in 1952-53 were classified as poultry associations, based on poultry products as major products handled. Of these, 128 are classified as local associations and 20 as regional. (See table 11 for distribution of these specialized associations by nine geographic divisions.) The largest number were in the North Central States where 56 associations were operating. The Northeastern States had 36 and the Western States 32. The number of this type of association is smallest in the 16 States comprising the South Atlantic and South Central divisions with their total of only 23.

In 1952-53 the 148 associations had a total active membership of 128,000. Of the other 548 associations handling poultry products as a sideline in 1952-53, 285 were farm supply associations, 185 were dairy associations, 59 were grain associations, and 19 were associations in other product or functional groups. In terms of net value of poultry products marketed, farm supply associations led with \$66 million, followed by dairy associations with \$39 million. In net sales of poultry products, California ranked first with more than \$40 million. New Jersey was second with \$36 million and Minnesota was third with \$23 million. Some poultry is raised on 8 of 10 farms in the United States. The poultry business is a supplementary enterprise on most farms. Hence, their operators are likely to regard poultry production as a sideline, not important from a marketing standpoint. Under such circumstances poultry and egg production in most communities is too small and too seasonally irregular to support a specialized egg and poultry cooperative association. This limits the number of specialized egg

Table 10.—Number and percentage of all associations handling poultry products and sales value of products sold by geographic areas, 1952-53

Geographic division	Associations		Value of products sold	
	Number	Percent of total	Amount	Percent of total
			(\$1,000)	
New England	19	2.7	27,708	8.2
Middle Atlantic	33	4.8	78,375	23.3
East North Central	74	10.6	32,947	9.8
West North Central	434	62.4	60,003	17.9
South Atlantic	35	5.0	47,082	14.0
East South Central	17	2.5	3,513	1.0
West South Central	39	5.6	5,871	1.7
Mountain	19	2.7	20,350	6.1
Pacific	26	3.7	60,369	18.0
Total United States	696	100.0	336,218	100.0

Table 11.—Number of specialized poultry associations and net value of poultry products handled, by geographic areas, 1952–53

Geographic area	Specialized poultry associations		Net value of poultry products handled ¹	
	Number	Percent of total	Amount	Percent of total
			(\$1,000)	
New England.....	12	8.2	25,738	11.9
Middle Atlantic.....	24	16.3	64,917	30.0
East North Central.....	16	10.9	24,525	11.3
West North Central.....	40	27.2	12,757	5.9
South Atlantic.....	13	8.8	28,501	13.2
East South Central.....	3	2.0	2,834	1.3
West South Central.....	7	4.8	3,372	1.6
Mountain.....	14	9.5	20,220	9.3
Pacific.....	18	12.3	33,634	15.5
Total United States.....	² 147	100.0	216,498	100.0

¹ Does not include sales of poultry products made by regionals for local cooperatives.

² There were 148 specialized poultry cooperatives in 1952–53, but one association in the North Central area only processed poultry for patrons and did no marketing.

and poultry cooperative marketing associations. The reverse accounts for concentrations of specialized poultry associations in such areas as the Pacific Coast and the Northeast where specialized or commercial egg, chicken, and turkey production has had its greatest development.

Early Efforts Not Successful

The Illinois State Grange made the earliest recorded effort to establish a cooperative to market poultry and other farm produce in Chicago in 1874. This venture, however, was short-lived, and more than 25 years passed before another attempt at cooperative marketing was made by poultry producers.

In 1901 the Santa Rosa Poultry and Egg Exchange of Santa Rosa, Calif., was organized. This association had from 200 to 300 members, and operated for 22 years. Besides marketing poultry and eggs, the association handled hay, grain, mill feeds, and other supplies for farmers.

Producers made efforts to establish egg and poultry cooperatives in Min-

nesota, New Jersey, New York, Oregon, and Wisconsin from 1905 to 1914.

In 1913 community egg circles began to appear. These informal local associations of egg producers were organized for the sole purpose of marketing eggs. Each local association operated independently. Certain of these egg circles attempted some form of grading.

During the 10 years following 1913 a considerable number of egg circles were formed in many States. However, the popularity of this plan of egg marketing was of short duration. Although egg buyers occasionally paid the circles a cent or two more per dozen, because they could purchase eggs in larger lots, benefits to members were not entirely satisfactory. Fluctuation in volume handled was no doubt a serious handicap, as also was the informal nature of the organizations.

During the 20-year period, 1920–39, the rate of discontinuance was greater among egg and poultry cooperatives than for any other major commodity

marketing group of cooperatives. Many discontinuances followed efforts to set up the same type of association, usually the western pool type, in other areas. Area differences in production practices as well as in marketing problems of poultry and egg producers later led to related differences in types of cooperatives developed.

Principal benefits from these early efforts were experience and certain minor gains. These, together with later unsatisfactory market outlets, encouraged producers in many areas to continue attempts to improve methods of marketing poultry and eggs.

Differ by Regions

There are regional differences among the cooperatives that market eggs and poultry both in type and number.

Western.—Although many attempts were made elsewhere, the first successful associations for handling eggs and poultry were developed on the Pacific coast. The advent of large commercial poultry farms, especially in California, led to surplus egg production with con-

sequent difficulties in marketing. This caused producers to undertake marketing eggs through their own agencies.

The Santa Rosa Poultry and Egg Exchange of Santa Rosa, Calif., previously mentioned, and the Tulare Cooperative Poultry Association, Tulare County, Calif., organized in 1913, were the first two cooperative egg marketing associations established with any degree of permanency. The Tulare association operated until 1930.

During the years immediately following the organization of the Tulare Cooperative Poultry Association, other associations were formed in California, Washington, and Oregon. Several confined their efforts to marketing eggs but others also handled live and dressed poultry.

Some currently operating associations set up in the Pacific and Mountain States to market poultry products, with dates of organization, are Poultry Producers of Central California, San Francisco, 1916; Washington Co-operative Farmers Association, Seattle, Wash., 1917; San Diego Co-operative Poultry Association, San Diego, Calif., 1917; Oregon Egg Producers, Port-



To keep costs down and efficiency up, the most progressive cooperatives often lead in using new devices, such as this mechanical egg-handling equipment at branch plant of Poultry Producers of Central California, San Francisco.

land, 1920; Utah Poultry and Farmers' Co-operative, Salt Lake City, 1923; Idaho Egg Producers, Caldwell, 1924; Norbest Turkey Growers Association, Salt Lake City, Utah, 1930; Poultrymen's Cooperative Association of Southern California, Los Angeles, 1931. This last association was formed by merger of two associations organized in 1912 and 1916.

The large Western cooperative egg and poultry associations usually handle products on a weekly or other pool basis. They may be of the stock or the nonstock type. Most of them have marketing agreements with members. They have initiated many progressive practices. They grade and pool products according to quality and pack them in modern plants owned and operated by the associations. Returns go to producers according to grade.

A conservative advance or initial payment is customary when products are delivered. The cooperatives remit the remainder when products are sold or distribute it later as patronage dividends. Some associations originally deferred all payments for a definite period or until sales value could be ascertained.

These cooperatives merchandise their products by developing trade outlets and creating demand. Their operations are based chiefly on making uniform, high-quality products available to buyers in large and dependable quantities. Although most of the large Western associations handled only eggs at first, some later handled both poultry and turkeys.

All of them found it desirable to handle farm supplies, especially feeds, for producers. In a few instances supply purchasing operations grew until they overbalanced marketing operations. Such associations then fell into the category of farm supply cooperatives.

Table 12 shows volumes of eggs and poultry handled, including turkeys, total value of business done, and number of active members of eight Western associations in 1953-54.

Operations of several of the more extensive western poultry associations are discussed in some detail in the section following.

The operations and history of **Poultry Producers of Central California**, oldest of the existing egg marketing associations, are more or less typical of the more extensive western marketing cooperatives. This association derives its capital through revolving funds accumulated by a withholding of 1 cent a dozen on all eggs marketed through the association, and an overcharge or margin on feeds and supplies purchased cooperatively through the association. It has a membership agreement covering a period of 15 years.

The association was originally established in 1916 for the purpose of marketing eggs. In 1926 it expanded its operations to include marketing poultry and cooperative manufacture and distribution of feed. Feed operations have grown steadily since that time. Poultry marketing is now confined to a limited volume at two locations.

In 1953, the association marketed 1.7 million cases of eggs and 903,000 pounds of poultry, distributed cooperatively 297,000 tons of feed, and had a total volume of business amounting to \$61 million. At the close of 1953, the association's active membership included 11,605 producer members. Their combined equities in capital funds and reserves of the association totaled \$11.9 million on January 2, 1954.

In terms of both egg volume and total value of business done, this cooperative leads all other organizations in the poultry field.

Poultry Producers of Central California serves its members through 57 branches and agencies where it receives eggs and distributes feed and supplies. At 13 of its branches, the association operates packing plants equipped for candling, grading, packing, and shipping eggs. At six of its branches it conducts feed milling operations. The largest of these feed mills has an output

Table 12.—Business volume and membership of the eight more extensive Western poultry and egg cooperatives, 1953–54

Association	Receipts		Total business	Active members
	Eggs	Poultry (including turkeys) ¹		
	<i>Cases</i>	<i>Pounds</i>	<i>Dollars</i>	<i>Number</i>
Poultry Producers of Central California, San Francisco, Calif.	1, 687, 269	902, 942	61, 011, 144	11, 605
Washington Co-operative Farmers Association, Seattle, Wash.	495, 000	16, 200, 000	49, 500, 000	39, 000
Utah Poultry and Farmers' Co-operative, Salt Lake City, Utah.	399, 444	² 8, 975, 000	18, 000, 000	12, 000
Oregon Egg Producers, Portland, Oreg.	206, 766	(³)	9, 411, 770	4, 000
Poultrymen's Coop. Association of Southern California, Los Angeles, Calif.	195, 100	(³)	17, 454, 000	2, 282
San Diego Co-operative Poultry Association, San Diego, Calif.	165, 000	2, 433, 781	9, 225, 637	1, 900
Idaho Egg Producers, Caldwell, Idaho.	86, 636	177, 840	2, 996, 592	1, 500
Norbest Turkey Growers Association, Salt Lake City, Utah.	⁴ 8, 936	² 36, 424, 039	18, 236, 865	⁵ 13

¹ New York dressed weight basis unless otherwise indicated.

² Ready-to-cook basis.

³ None.

⁴ Turkey eggs for hatching.

⁵ Member associations. These serve about 4,000 producers.

capacity of 350 tons of feed per 16-hour day.

The Washington Cooperative Egg and Poultry Association was set up in 1917 to market eggs. At that time it had 150 members. Now called the **Washington Co-operative Farmers Association**, Seattle, it has developed into one of the most successful associations in marketing poultry products and handling farm supplies. In 1954 it had an active membership of 39,000 and did a business of \$49.5 million. Of this amount \$16.6 million was sales of poultry products and seeds and \$32.9 million went into purchases of feed and farm production supplies. The most important of these was poultry feed.

This organization has added several services to its original egg marketing program. These include marketing ready-to-cook and canned poultry and

turkeys, frozen and dried eggs, and field and garden seed, and purchasing poultry and livestock feed, petroleum products, and other farm production supplies for members.

In the pooled marketing of eggs, fryers, and turkeys, members are under contracts for definite periods to deliver specific volumes to the association.

The **Washington Co-operative Farmers Association** operates 40 branch stations through which it assembles poultry products and distributes feed and farm production supplies.

In addition to the branch stations, 17 private local distributors handle association supplies. The association operates 3 mills for manufacturing feeds, 1 plant to can poultry and turkey products, 2 main central candling plants supplemented by 7 small country candling stations to take care of

local sales, and 4 poultry and turkey killing plants.

The association also operates approximately 230 trucks for distributing feed and farm production supplies to its members and for collecting eggs and poultry at members' farms and distributing them to market outlets. It uses special trucks to pick up eggs and poultry at the farms of the larger producers as well as to deliver feed in bulk.

The Utah Poultry and Farmers' Cooperative, originally the Utah Poultry Producers Cooperative Association, is the third largest farmer cooperative in its field. Incorporated in 1923, with headquarters at Salt Lake City, its operations now extend into all the important poultry production sections of Utah and southern Idaho.

It operates 23 branch egg receiving stations and 3 dressing plants and distributes supplies at these and at a number of other outlets. It makes separate egg marketing and turkey processing agreements directly with members. The association is of the centralized type. It operates on a weekly pool basis for eggs.

In 1954 the association received 399,000 cases of eggs, handled nearly 9 million pounds of ready-to-cook chickens and turkeys, and did a total business of marketing and handling feed, fertilizers, and other farm and poultry supplies for its 12,000 members amounting to \$18 million.

The Utah Poultry and Farmers' Cooperative has been important in making poultry production a leading agricultural enterprise in Utah. The association has accomplished this by helping producers lower production costs and by packing and selling high-quality eggs and poultry in both local and distant markets on a volume basis at relatively low cost to members.

It is a cooperative service agency rather than strictly a marketing association. In addition to eggs, chicken, and turkey marketing it has broadened its activities over the years by adding other services needed by the poultry

growers and other farmers. Among these are handling feed, seed, fertilizers, and other farm supplies.

Norbest Turkey Growers Association, Salt Lake City, Utah, is a regional association created by the federation in 1929 of 20 local and statewide turkey marketing associations or pools, located in the Mountain and Pacific Coast States. Starting in 1921, about 60 turkey pools were in operation by 1929. Their local nature, small volume of product handled, and individual operation and marketing effort reduced their potential value to their producer members. These weaknesses influenced the organization of the federation.

In 1955, this federation had 17 member associations located in California, Colorado, Illinois, Nebraska, Nevada, Minnesota, Missouri, Oregon, Utah, and Wisconsin. Together they have about 4,000 producer-members (table 12). Besides the main office in Salt Lake City, the association has sales agencies in Boston, Chicago, Newark, N. J., New York City, Philadelphia, Los Angeles, San Francisco, and Sacramento.

During its first year of operation the Norbest Turkey Growers Association marketed 3.5 million pounds of dressed turkeys for its members. During the year 1953-54 it marketed more than 36 million pounds of ready-to-cook turkeys, and 8,936 cases of turkey hatching eggs. An increasingly larger proportion of the turkeys marketed are of the fryer-roaster type.

The association carries on a year-round educational program to improve the quality of turkeys. As a result of this educational work the percentage of its United States Grade A turkeys has increased from 69 to over 90 percent.

The member associations kill, dress, grade, and pack turkeys. The federation sells the United States Grade A turkeys under its well-known trade name, "Norbest." In addition to marketing turkeys and turkey hatching eggs, the association handles plant

supplies for member associations. It makes conservative advances to members.

Through efficient operation Norbest has reduced marketing costs, increased number of market outlets, lowered packing and transportation costs, established and improved control over distribution, built up ample reserves, and collected a high percentage of credit accounts. It has also helped to bring about uniform and standardized grading, quality improvement, and reduction of advertising costs through establishment of an association trademark.

In the West, handling of poultry products by commodity or other cooperatives outside egg and poultry groups has not been so important as elsewhere.

Here there are many highly specialized production areas, and specialized egg, poultry, and turkey cooperatives are generally available to producers.

Eastern.—Before 1930 there were few successful attempts to market eggs or poultry cooperatively in the Eastern States. Early conditions in this part of the United States were not particularly favorable to forming cooperative poultry marketing associations, especially of the western pool type. The few concentrated areas of production were generally near to market. There were thus a considerable number and variety of available outlets. These facts contributed to general lack of interest in cooperative marketing of eggs and poultry in the area.

Later, however, a large number of

Table 13.—Business volume and membership of 12 Eastern poultry and egg cooperatives, 1954

Association	Receipts		Total business	Active members
	Eggs	Poultry ¹		
	<i>Cases</i>	<i>Pounds</i>	<i>Dollars</i>	<i>Number</i>
Brockton Cooperative Poultry Producers, Inc., Avon, Mass.	176, 011	10, 030, 225	6, 583, 236	1, 921
Butler Cooperative Egg Auction, Inc., Butler, Pa.	146, 584	3, 998, 867	3, 609, 884	2, 341
Connecticut Poultry Producers, Inc., Mount Carmel, Conn.	122, 421	.....	2, 250, 587	376
Farmingdale, N. J., Cooperative Egg Producers Association, Inc., Farmingdale, N. J.	316, 650	.....	4, 749, 750	250
Flemington Auction Market Cooperative Association, Inc., Flemington, N. J. . . .	431, 576	3, 000, 000	8, 329, 572	2, 494
G. L. F. Egg Marketing Division, Ithaca, N. Y.	770, 100	.....	11, 713, 000	3, 000
New Hampshire Egg Producers Cooperative, Derry, N. H.	207, 651	.....	3, 017, 095	1, 200
Northwestern Ohio Poultry Association, Napoleon, Ohio.	254, 036	.....	3, 616, 816	2, 531
Poultrymen's Cooperative of Connecticut, Inc., Plainfield, Conn. ....	.....	11, 250, 000	3, 866, 727	264
Poultry Producers Association, Versailles, Ohio.	414, 121	4, 716, 464	7, 480, 215	4, 482
Producers Cooperative Exchange, Coatesville, Pa.	373, 918	10, 320, 000	8, 828, 250	2, 120
Vineland and South Jersey Cooperative Egg Auction and Poultry Association, Inc., Vineland, N. J.	605, 559	.....	9, 762, 113	950
Total	3, 444, 709	92, 369, 279	87, 957, 379	25, 843

¹ New York dressed basis; i. e., live weight less 10 percent.

relatively small but successful cooperative egg and poultry marketing associations developed here, chiefly of the auction type, close to large consuming centers. In 1954 more than 60 associations in the area were marketing eggs and poultry. In total they marketed more than 6 million cases of eggs and a large volume of both live and dressed poultry. In volume of eggs and poultry handled several of them exceed most of the large western poultry cooperatives. (See table 13 for information about 12 eastern poultry cooperatives.)

In the Northeast, the Egg Marketing Division of Cooperative G. L. F. Exchange, Ithaca, N. Y., handled the largest volume of eggs, 770,100 cases, and Poultrymen's Cooperative of Connecticut, Inc., Plainfield, the largest volume of poultry, over 11 million pounds, New York dressed basis.

Among the eight rather distinct types of local eastern associations are pooling, outright purchase, auction, bargaining, commission, broiler processing and marketing, duck processing and marketing, and associations marketing eggs and poultry on a sideline basis. Some federations also operate among the local organizations.

In the later discussion of types of associations, some of the eastern associations are individually treated.

North Central.—In the North Central States cooperative marketing of eggs and poultry has neither kept pace with nor followed major patterns of cooperative marketing of these products in the West and the East.

It is true the average size of farm production units for poultry in the North Central area is smaller. However, from the standpoint of total egg and poultry production and marketing surpluses, the 12 North Central States comprise the most important area in the United States. These States furnish approximately half the total market supply of eggs, turkeys, and chickens. They are the source of the bulk of the Nation's surplus of production over local consumption.

In 1952-53, 38 percent of the Nation's specialized egg and poultry cooperatives were in this area, and they had 33 percent of the total membership (table 11). However, they handled only 17 percent of the total value of products sold cooperatively.

The relatively small number of existing specialized associations does not tell the entire story, however. Many egg and poultry cooperatives have been organized, but the mortality rate has been high. This was largely because of attempts to emulate successful associations in heavier commercial sections. In many of these attempts insufficient consideration was given to basic differences in production and marketing conditions.

Despite the relatively small number of specialized egg, poultry, and turkey cooperatives, large volumes of poultry products are marketed cooperatively in the North Central States. Such specialized poultry cooperatives as the Cooperative Produce Association, Sioux Center, Iowa; the Farmers Produce Association, Ashby, Minn.; Lake Land Egg Cooperative, Valders, Wis.; Cooperative Poultry Marketing Association, Loomis, Nebr.; and Producers Produce Co. of Springfield, Mo., handle important volumes.

An additional large total volume is marketed by cooperatives handling other commodities such as the Land O'Lakes Creameries, Inc., Minneapolis, Minn.; Hamilton Farm Bureau Cooperative, Inc., Hamilton, Mich.; Indiana Farm Bureau Cooperative Association, Inc., Indianapolis; and the more than 500 cooperative creameries, grain elevators, supply cooperatives, and other local associations. More than 100 cooperative creameries in Minnesota handle eggs.

In Missouri, most of the cooperative marketing of poultry and eggs is done through nearly 250 local Missouri Farmers Exchanges, formed into 4 district associations located at St. Louis, Shelbina, Sedalia, and Springfield. Three of these district associations are

divisions of Missouri Farmers Association with headquarters at Columbia.

In this area it is probable that poultry products from the nonspecialized farms will continue to be marketed largely in conjunction with other farm products and the purchasing of farm supplies. As with production, marketing—except in a few localities—will continue to be important, but of a sideline nature.

The chief need in the area is the formation of additional federations of cooperatives for joint and coordinated selling of poultry products and for rendering other helpful services to local member associations.

There are, however, a number of federations of cooperatives in the area marketing poultry products. Federated Egg and Poultry Sales, Inc., with seven egg and poultry cooperatives in Ohio as members, is the only federation set up in the North Central States specifically to serve poultry cooperatives. However, several other federations market poultry products for member associations. Among these is Missouri Farmers Association, previously mentioned. Eight turkey cooperatives in the North Central region are members of the federated Norbest Turkey Growers Association, Salt Lake City, Utah, discussed previously in the Western section on pages 104–105.

Southern.—Of the four areas, the South has the smallest number of specialized egg and poultry cooperatives and the smallest volume of poultry products marketed cooperatively. The average poultry flock is still small and there are few important commercial poultry areas except those producing broilers.

In 1952–53 there were 23 specialized and 68 other cooperatives marketing poultry products in the 16 South Atlantic and South Central States. Texas had 6 specialized associations in this field and 13 others marketing eggs and poultry. Alabama had 9, Oklahoma 16, Virginia 10, and North Carolina 10 associations handling these products.

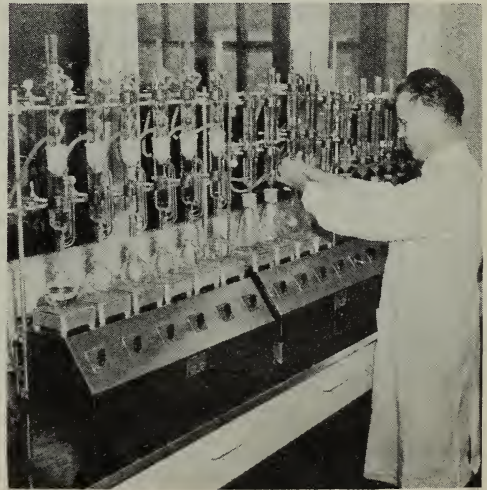
Among the leading cooperatives in egg and poultry marketing in the area are such extensive poultry cooperatives as the North Alabama Poultry Cooperative, Inc., Albertville, and the Rockingham Poultry Marketing Cooperative, Inc., Broadway, Va.

On the other hand, as in the North Central States, important volumes of poultry products are marketed by such nonpoultry cooperatives as the Cotton Producers Association, Atlanta, Ga.; Central Carolina Farmers Exchange, Durham; and Farmers Federation Cooperative, Asheville, N. C.

In addition, a considerable number of smaller cooperatives, such as the Forrest County Cooperative (A. A. L.), Hattiesburg, Miss.; the Mountain Valley Cooperative, Inc., Brasstown, N. C.; and Cherokee Farms Cooperative, Canton, Ga., handle eggs or poultry or both.

Many Types Form

Based upon method of operation or type of product handled, there are a number of distinct types of associations serving poultry producers. The most important of these types are discussed briefly in the following pages.



Feed quality control laboratory of Oregon Egg Producers, Portland, uses distillation apparatus to determine the fat, fiber, and carotene content of Nu-lade feeds.

Pooling.—In the 1920's, only the pooling type of association received much consideration. Hence, the oldest associations are of this type. The oldest and largest western associations discussed earlier are pools. Pool-type associations operate elsewhere but have not been as successful. Noted exceptions to this are two associations in New England, discussed here.

The Eastern Connecticut Poultry Producers, Inc., Providence, R. I., organized in 1923, by 1953 had 465 members and marketed 101,670 cases of eggs. The association obtains its eggs from three eastern counties of Connecticut and sells the bulk of them to chain stores and other stores in Providence.

The Connecticut Poultry Producers, Inc., Mount Carmel, organized in 1924. It had 376 members in 1954 and handled 122,421 cases of eggs. This association receives its eggs from six western Connecticut counties, where it maintains several stations to receive, grade, and sell eggs. It packs under

Federal-State grading supervision. It maintains four cooperative retail stores which sell eggs directly to consumers, but the bulk of the business is jobbing. It packs eggs in labeled cartons and delivers them directly to retail outlets—both chain stores and independent grocers.

Auction.—A most important early development, particularly in the Northeastern States, was the organization of small associations, originally selling poultry and eggs by the auction method, in New Jersey, Pennsylvania, Connecticut, New York, Massachusetts, New Hampshire, Ohio, Rhode Island, Illinois, Indiana, and Maryland.

The first of these was formed in New Jersey in 1930. A total of 32 associations of this type were started between 1930 and 1939. None have been formed since 1939.

In 1955 there were 25 associations in operation that originated as auctions. Of these only 3 sold eggs and 13 sold poultry at auction. Most of the



Activities of the Washington Co-operative Farmers Association, Seattle, include canning chicken and turkey for western and northeastern markets. Its canning kitchen at Seattle makes several packs of Lynden Brand chicken and turkey, and helps maintain a fair price for fowl from members' laying flocks.



Farmer cooperatives are interested in the most modern and effective methods of merchandising their products. San Diego (Calif.), Cooperative Poultry Association, placed this self-service refrigerated display case in one of the city's large stores.

auction associations handled only eggs originally, but later added poultry. These associations usually held egg auctions twice a week and live poultry auctions once a week. They sold in small lots.

These auction associations filled a need for a new type of cooperative close to the large consuming centers, especially in the Northeast. Because of their local nature, small volume and capital requirements, prompt producer payment, absence of marketing agreements, visible operations, and low operating costs, auctions had much attraction for producers. They enabled their members to obtain better prices for poultry and eggs. Nonmember producers also received better prices as a result of the operation.

The cooperatives that sold at auction seemed well adapted to commercial or semicommercial producing areas. To the buyers they offered quality products close to the large markets. Many buyers who wished graded and high-quality poultry products in small volumes attended their sales.

Many auction associations grew rapidly in volume and in area served. The oldest of these, the Flemington (N. J.) Auction Market Cooperative Association, Inc., organized in 1930. In 1954 it served nearly 2,500 members, handling 431,576 cases of eggs and 66,860 crates of live poultry and doing a total business of almost \$8.5 million.

Another association starting in 1931 as an auction, the Vineland and

South Jersey Cooperative Egg Auction and Poultry Association, Inc., Vineland, N. J., is the third largest egg marketing cooperative in the Nation. In 1954 it handled 605,599 cases of eggs.

Some of the auctions served areas as small as a single county. Others served producers over most of their respective States. One association, New Hampshire Egg Producers Cooperative, Derry, served parts of New Hampshire, Maine, Vermont, and Massachusetts.

The auction method of marketing eggs and poultry is suitable to certain marketing conditions. It works well where an association handles a limited volume of products. As soon as auctions began to have volume out of proportion to the needs of the buyers who attended the sales, they were compelled to begin to sell "off-auction," or between sales, on the basis of auction or other prices. Some of these associations were forced, almost from the beginning, to sell some eggs without using the auction block. As time went on and volume increased, off-auction percentages and volume also increased. More and more associations abandoned the auction method and began to operate as pooling associations.

This was a natural development in peacetime. But during World War II, with establishment of ceilings and with eggs selling at ceiling prices much of the time, auction selling became unnecessary. Hence few associations used this method during war years.

As their increased volume made auction selling too slow and cumbersome, few associations again used this method for more than part of their egg volume. It was later used largely, or only, for price determination and to satisfy certain types of small buyers. By 1955 most of these associations operated on a twice-a-week pool basis on eggs.

Only 3 of the original 32 auction associations sold eggs at auction in 1955. All these were in New Jersey. However, 13 still sold poultry at auction and 4 others operated dressing plants.

Commission.—The commission type of egg marketing operation resembles the auction type except that individual producer lots are sold at private sale instead of over the auction block. Such associations perform services comparable to those of the auctions. The eggs received have been sized by the producer at the farm. However, the association performs the usual inspection and selling services and makes payment to the producer.

Each member receives the gross sale price of his individual lot of eggs, less a definite deduction or commission charge on each case of eggs. This type of association often evolved when the auction method was discontinued. Then later, as volume increased, some associations found it necessary to depart from individual producer lot sales. The weekly or semiweekly pool method followed as the third development.

Bargaining.—The bargaining type of egg cooperative is represented by Bradford County Producers Cooperative, Inc., Towanda, Pa.; Farmingdale (N. J.), Cooperative Egg Producers Association, Inc., and Quality Egg Club of Vineland, N. J. This type of association merely acts as intermediary between individual producers and receivers in regard to prices, weights, and quality maintenance. It renders few services; it does not physically assemble, handle, sell, or make payment to members. It merely supervises or acts as a bargaining agent in the selling process.

Services are performed largely by members. For this reason operating deductions and costs of the association are low. In some instances, receivers pay association costs from their margins rather than the association charging the producers for its costs.

More than 20 local egg bargaining associations were operating in California and 7 in New Jersey in 1955.

Outright Purchase.—Considerable quantities of eggs and some poultry are handled by marketing associations which pay the full cash or competitive

price for eggs on an outright purchase basis. Most of these are subsidiaries of, or affiliated with, large purchasing cooperatives. These associations, like private handlers, pay producers the going price; this may have little relation to the final sales price associations will obtain. They attempt to take a margin which, over a long period, will at least cover expenses.

Important among these groups is the Egg Marketing Division of the Cooperative G. L. F. Exchange, Inc., Ithaca, N. Y. It receives eggs directly from more than 3,000 producers at 11 egg service stations, some with branches. It then markets them through a wide variety of outlets in the Northeastern and Southern States and in foreign markets. In 1954 it handled 770,100 cases of eggs. This was the second largest volume of eggs handled by a cooperative association that year.

A similar cooperative is Southern States Marketing Cooperative, Inc., Dorsey, Md., affiliated with Southern States Cooperative, Inc., Richmond, Va. It operates a number of egg grading stations in Virginia and Maryland. In 1953 it marketed 142,013 cases of eggs, chiefly in Baltimore, Md., and Washington, D. C.

Sideline.—Many cooperatives now marketing poultry products were not organized primarily for that purpose. They were set up to handle farm supplies; to market dairy products, grain, or livestock; or to render other services. They later assumed egg and poultry handling merely as a supplementary or sideline activity. These associations, irrespective of their individual method of handling eggs and making returns, have been classed as sideline cooperatives.

Representative examples of sideline egg cooperatives in the East are Rockingham Cooperative Farm Bureau, Inc., Harrisonburg, Va.; United Cooperative Farmers, Inc., Fitchburg, Mass.; and Inter-County Farmers' Cooperative Association, Inc., Woodridge, N. Y. All the sideline associations in the East use the outright purchase method of operation. In some areas other methods are used by this type of cooperative.

Turkey.—About 60 widely scattered cooperatives handle turkeys as their principal product. Seventeen of these are members of Norbest Turkey Growers Association, discussed previously. Other commodity cooperatives market turkeys in important volumes also, as a sideline activity.



Modern broiler and turkey processing plant at Alma, Va., of the Rockingham Poultry Marketing Cooperative, Inc., with its headquarters at Broadway, Va. Success of this association has meant much to the poultry industry in the Shenandoah Valley of Virginia and surrounding area.

Some associations of turkey growers, especially in Texas and California, specialize in marketing turkey hatching eggs rather than mature turkeys.

Broiler.—Despite concentrated production of commercial broilers in several sections of the country as early as 1934, the first cooperative set up to process and market broilers was not organized until 1940. This association is Rockingham Poultry Marketing Cooperative, Inc., Broadway, Va. It operated 5 dressing plants in the Shenandoah Valley with a total combined daily capacity of 60,000 birds in 1955.

A dozen or more egg, poultry, and other cooperative associations process and market broilers. However, there are only a few other specialized broiler cooperatives. These include Poultrymen's Cooperative of Connecticut, Inc., Plainfield, and Arkansas Poultry Cooperative, Inc., Bentonville.

During 1944 and 1945 four local broiler processing and marketing cooperatives were set up on the Delmarva Peninsula—Delaware and the Eastern Shore of Maryland and Virginia. Three of these associations set up a cooperative federated sales and service agency—the Eastern Poultry Cooperatives, Inc., with original headquarters at Wilmington, Del.

Largely because of lack of cooperative background and experience on the

part of both management and members, the member associations proved unable to meet aggressive competition. Therefore they were short-lived and the federation ceased to operate.

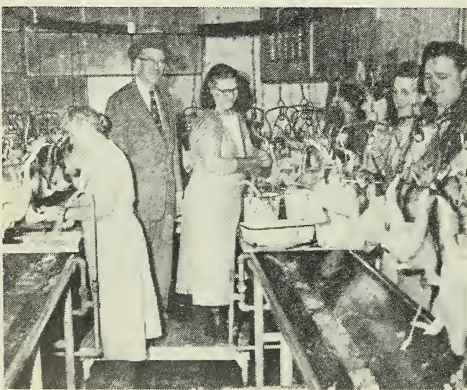
Several broiler auctions have been set up since 1952. Some have been nonprofit associations but only one has been cooperative.

Duck.—There are three specialized duck growers' cooperatives, all in the Northeast. The Massachusetts Duck Growers Cooperative Association, Boston, Mass., processes and markets the ducks of a small number of nearby growers. The Long Island Duck Growers Marketing Cooperative, Inc., Eastport, N. Y., does the marketing of New York dressed and ready-to-cook ducklings for over 60 of the large duck growers on Long Island. It does no processing but operates as the selling, stabilizing, sales promotion, and service organization for its members.

The Riverhead Duck Processing Cooperative, Inc., Riverhead, N. Y., is strictly a processing association with a modern, half-million dollar plant. It eviscerates, packages under its Riverhead brand, and freezes up to 10,000 ducklings daily, obtained in New York dressed form from its 27 members.

Hatchery, Hatching Egg, and Breeder.—At present hatching operations are carried on by nearly 100 farmer cooperatives of various types. Some of these cooperatives are strictly hatchery associations such as Western Cooperative Hatcheries, Bellevue, Wash.; Petaluma Cooperative Hatchery, Petaluma, Calif.; and Missouri Farmers Association Hatchery, Inc., Springfield, Mo. Hatching is carried on as a sideline service by other cooperatives of such divergent types as Land O'Lakes Creameries, Inc., with 6 hatcheries; by more than 30 of the county farm supply cooperatives affiliated with Indiana Farm Bureau Cooperative Association, Inc., Indianapolis; and by Central Carolina Farmers Exchange, Durham, N. C.

A number of cooperatives have been set up, especially in California and



Butler (Pa.) Cooperative Egg Auction, Inc., auctions some of its live poultry but dresses and sells the remainder, chiefly in ready-to-cook form. This association, along with most others, no longer sells eggs at auction.

Texas, to market turkey hatching eggs. Among these are Ramona Turkey Growers Association, Ramona, Calif.; Brady Cooperative Poultry Association, Brady, Tex.; and Gibbon Non-Stock Cooperative Turkey Egg Pool, Inc., Shelton, Nebr.

Several cooperative poultry breeding associations have been organized to develop better foundation stock. Probably the outstanding association of this type is Indiana Poultry Breeders, Inc., Lafayette, Ind., with both cooperative and other hatcheries as members. Other multipurpose cooperatives, such as Land O'Lakes Creameries, Inc., Minneapolis; Indiana Farm Bureau Cooperative Association, Inc., Indianapolis; and Arkansas Farmers Association, North Little Rock, operate poultry breeding farms in connection with their hatchery operations.

Federations.—The formation of federations among the poultry cooperatives for sales and other purposes has been slower than among some other commodity associations. This has been due in part to the greater lack of geographic concentration among cooperatives in the poultry field. The separate and noncoordinated operation of the many relatively small associations has been one of the weaknesses in the cooperative marketing of poultry products. However, there are now several federations of egg and poultry cooperatives.

Norbest Turkey Growers Association, Salt Lake City, a federation of 17 turkey associations, has been discussed previously with the Western associations.

In 1939 seven egg and poultry associations in Ohio formed Federated Egg and Poultry Sales, Inc., Wooster, for joint selling in the larger markets of Ohio and elsewhere.

Four New Jersey associations, operating originally as auctions, formed the New Jersey Poultry and Egg Cooperative Marketing Association, Inc. (Certified), Flemington, N. J., to carton and merchandise a portion of their egg volume.



Vineland and South Jersey Cooperative Egg Auction and Poultry Association, Inc., Vineland, N. J., handles next to the largest egg volume of any eastern cooperative. It handles eggs only, and no longer sells at auction.

Before 1952 about 60 egg and poultry cooperatives in the Northeastern area operated independently; they had no central cooperative sales or service association to serve them. The result was a lack of coordinated sales and other efforts. It became apparent that if sales were handled jointly the local associations would be strengthened. Also, sales efforts in terminal markets would be more effective.

Therefore, in 1952 a federation, Northeastern Poultry Cooperative Association, Inc., New York, N. Y., organized as a sales and service agency for its member associations. Its present 20 member cooperatives handle more than two-thirds of the eggs marketed by northeastern cooperatives. Each member association sells a specified quota of eggs through the federation on a regular basis plus whatever occasional surplus it desires.

The first federation of Northeastern cooperatives, Eastern Poultry Cooperatives, Inc., was set up in 1945 to serve the broiler cooperatives in the East. It ceased to operate with the discontinuance of the broiler cooperatives on the Delmarva Peninsula.

From a historical viewpoint, organization of Pacific Egg Producers Cooperative, Inc., in 1922, to market eggs in the eastern markets for five Pacific

coast associations was a significant development in federated cooperative egg marketing.

First in its field, this federated sales association with headquarters in New York City, had as its members the following organizations: Washington Cooperative Farmers Association, Seattle; Oregon Egg Producers, Portland; Poultry Producers of Central California, San Francisco; Poultrymen's Cooperative Association of Southern California, Los Angeles; and San Diego Cooperative Poultry Association, San Diego, Calif.

This sales federation marketed as high as 1.9 million cases of eggs a year. It sold eggs under the famous "PEP" brand. By virtue of the high and uniform quality of its product and its large and dependable volume of white-shelled eggs with light-colored yolks, resulting from controlled feeding on specialized poultry farms, it created a demand which soon brought a premium for its eggs in eastern markets. It succeeded in reducing the cost of selling eggs for its member associations in the East from about 60 cents a case to as low as 12 cents.

As a result of curtailed egg production on the Pacific coast, increased local consumption there, and increased production of high-quality eggs else-

where—especially in the Northeastern States—the eastern shipments of the member associations decreased substantially after 1938. In 1942, after 20 years of operation, the association became inactive and has remained inactive since.

Look to Future

Several distinct trends are discernible in the cooperatives which market poultry products. Among the most important are:

Broadening Services.—Specialized cooperatives in the egg and poultry field usually started to market only one farm product. Few associations except the turkey cooperatives have adhered to such limited activity, however. Instead, most of them have broadened their bases of operation as to number of products marketed and have at the same time gone farther in processing operations. The Washington Cooperative Farmers Association, for example, starting as an egg marketing association, later marketed fowl, fryers, turkeys, seeds, and several other farm products; handled supplies; dried eggs; and processed and canned poultry.

The Utah Poultry and Farmers Cooperative originally rendered the single service of marketing eggs. Later it took on marketing fowl, turkeys, and broilers, handling poultry equipment and other farm supplies, and manufacturing and selling poultry and livestock feeds.

Coordinating Efforts.—Closer coordination of effort among some of the local cooperatives, directed especially at more effective marketing, has been slowly developing. Examples of this trend, already cited, are the formation of Federated Egg and Poultry Sales, Inc., in Ohio, and Northeastern Poultry Cooperative Association, Inc., New York, N. Y.; the coordinated cartoning and selling of eggs by 4 New Jersey cooperatives; and joint selling of eggs to chain stores by 4 cooperatives in southeastern Pennsylvania.

There is a need for additional fed-



An individually boxed, ready-to-cook, Government graded and inspected turkey sold under Norbest brand by Norbest Turkey Growers Association, Salt Lake City, Utah.



Consumer packaging of eggs is an increasingly important service performed by many egg-marketing cooperatives. This photograph shows the modern cartoning and packing operations of the New Hampshire Egg Producers Cooperative, Derry.

erations and indications are that several will be organized in the North Central and the Western States to serve the egg and poultry marketing cooperatives in these regions.

Increasing Efficiency.—Competition has caused leaders of poultry cooperatives to become increasingly cost and efficiency conscious and to rely less upon the cooperative attitude of pro-

ducers. Accordingly, they have become more interested in lowering costs by increasing and leveling receipts; procuring higher quality products; and using more and modern laborsaving equipment, better plant layout, short-cut methods, employee incentives, improved materials handling techniques, and other modern techniques and devices.

Cooperatives Market Many Special Crops

by Henry M. Bain

COOPERATIVE marketing associations handling tobacco, dry beans, dry peas, rice, sugarcane, sugar beets, honey, hay, forest products, and seed make up most of the special crops group. Volume of the special crops cooperatives is not large when compared with associations handling dairy products, grain, or fruits and vegetables. However, it is increasing and

the rather complete services performed by some of the associations represent significant developments in farmer cooperation.

In 1953 more than 200 cooperatives handled special crops valued at about \$475 million for over 760,000 farmers.

Following is a brief summary of the progress and development of such cooperatives, by commodities.

Tobacco

This country produces about 2 billion pounds of tobacco each year. Tobacco is grown in some 21 States extending from Massachusetts to Florida, and as far west as Wisconsin and Missouri. However, the combined production of North Carolina, Kentucky, Virginia, and South Carolina usually amounts to about 76 percent of the total United States crop.

Tobacco grown in the United States is grouped in the following general classes: Flue-cured, used principally in cigarettes; light air-cured, which includes Burley and Maryland types, used principally in cigarettes; dark air-cured, used mostly in chewing; fire-cured, principally exported, used abroad in cigars, smoking and chewing, and in the United States used principally in the manufacture of snuff; cigar filler, cigar binder, and cigar wrapper, used as names indicate and also for scrap for chewing.

Cooperatives.—One or more cooperatives operate in each of the tobacco producing areas. They perform a wide variety of services, such as receiving, storing, handling, and marketing tobacco; operating warehouses at which tobacco may be sold at public auction; advising growers regarding harvesting and handling practices best adapted to their needs; handling farm machinery, equipment, and supplies. Some of the cooperatives perform all the services mentioned, whereas others perform a single service. Thus the activities of tobacco cooperatives are designed to assist in bringing about improvements and increased efficiency in marketing and distributing their members' crop.

In 1953 there were 29 such associations handling about \$170 million worth of tobacco for some 700,000 growers. Eighteen of the cooperatives were marketing associations and 11 operated auction warehouses and performed related services for their growers.

Price Support for Tobacco.—The

Federal Government administers price support programs on various agricultural products, including tobacco. These programs are designed to assist growers in obtaining a fair price for their crop. In effect the Government establishes a floor under prices by means of these programs.

Price supports for tobacco growers are accomplished under loan programs usually administered through grower cooperatives under contract with the Commodity Credit Corporation. The latter is a wholly owned Government corporation controlled by a board of 7 directors of which the Secretary of Agriculture is chairman.

The Commodity Credit Corporation makes loans to the tobacco cooperative associations, who in turn make advances to the growers.

Practically all the tobacco marketing associations are cooperating with the Federal Government in making tobacco price supports available to growers. In fact, many associations were organized for this purpose. Services performed by the associations include receiving, redrying, packing, storing, and marketing tobacco consigned to them under the price support program. Contracts are entered into with warehouses, redriers, and others to perform such services as the cooperatives do not perform.

Before the opening of the tobacco marketing season each year the Department of Agriculture, through the Commodity Credit Corporation, submits to each of the associations for signature of their respective officers a contract which sets forth in detail the relations between the CCC and the several associations incident to the loan operations. The contract provides, for example, that the association shall receive the tobacco from the growers, that it will be processed, stored, and marketed by the associations, that the CCC will make nonrecourse loans to the associations for advances to the growers and for handling costs pending sale of such tobacco, and that all sales

proceeds from the tobacco will be applied toward repayment of the loans.

Early Associations.—Tobacco growers were among the first of the commodity groups to undertake cooperative marketing of their product on a large scale. Attempts were made to sell tobacco cooperatively in Connecticut as far back as 1862. In 1873 growers in Kentucky and Massachusetts built cooperative warehouses in which they stored their tobacco while waiting for better prices. Later came packing associations, sales agencies and local pools.

Operation of local farmer-owned warehouses and packing plants for tobacco began in Wisconsin about 1902. More than 20 associations were formed later in Kentucky, Tennessee, Maryland, Virginia, North Carolina, Massachusetts, Ohio, Pennsylvania, and Connecticut. They tried by various

methods to obtain higher prices for their growers' tobacco.

During World War I and immediately thereafter, prices of tobacco were attractive and production increased. For example, the average price received by farmers for their tobacco increased from 14.8 cents per pound in 1914 to 31.2 cents per pound in 1919. However, prices declined drastically during the following year and farmers received an average price of only 17.2 cents for their 1920 crop. Such conditions led to formation of several large cooperative tobacco marketing associations during the years 1920–23. Of these early cooperatives only two succeeded in establishing themselves on a permanent basis.

Maryland Tobacco Growers' Association.—The oldest tobacco cooperative now in existence is the Maryland Tobacco Growers' Association, Baltimore,



Recently constructed building of Flue-Cured Tobacco Cooperative Stabilization Corporation, Raleigh, N. C. The cooperative has over half a million members.

Md. Organized in 1906, the association has functioned as a marketing organization only since 1920. It handles Maryland tobacco, does not practice pooling, but sells crops of individual growers on an agency basis.

The association operates exclusively on the closed-bid packed-tobacco auction market at Baltimore. It handles about 95 percent of the tobacco sold on the Baltimore market and approximately 15 percent of the State's total tobacco crop.

The association had a membership of some 2,500 producers in 1953. During each winter and spring Maryland producers pack the tobacco to be sold on the Baltimore market into hogsheads, each weighing about 650 pounds net. When the hogsheads are received from the producers, State officials weigh, sample, and grade them. The samples, guaranteed by the State, are delivered to the association or to an independent broker to whom the hogsheads were consigned by the grower, for display to prospective purchasers.

Each day before the market opens the association and other selling agents prepare a list of hogsheads of tobacco to be offered. Prospective buyers receive copies of this list. After reviewing the samples, each deposits his bid in a sealed box as he leaves the sample room. The bids are opened at the end of each sales day and the tobacco is sold to the highest bidder, subject to the right of the grower or the association's salesman to reject the bid. If the tobacco is offered twice without being sold, the sample is withdrawn and the sale made privately. Growers are not required to pay for inspection of tobacco, nor for its storage in the State warehouse at Baltimore.

The association also buys various farm supplies for its members, mostly fertilizer.

Maryland Tobacco Cooperative, Inc.—Organized in 1949, this cooperative has its headquarters at Upper Marlboro. Formed to help growers of Maryland tobacco obtain Government

loans on their crop, the association began operations with the 1948 crop. Such loans are made available to growers in the several producing areas following a referendum and if the producers vote against production control the price support is not available to them for that particular crop year. Maryland growers have voted against such controls from time to time. They voted for controls on the 1953 crop, the first since 1950. The association received some 5 million pounds of 1953 crop tobacco under the support program.

Cigar Tobacco.—Cigar tobacco is sold generally at the farm by private agreement between the producer and visiting buyers. These transactions usually contemplate one price for tobacco above a certain standard and another price for that of lower quality. To overcome the inequalities inherent in farm selling, cigar tobacco growers have set up and are operating marketing cooperatives.

Northern Wisconsin Cooperative Tobacco Pool.—Next to the oldest tobacco cooperative in this country is the Northern Wisconsin Cooperative Tobacco Pool. Organized in 1922, this cooperative began operating with that year's tobacco crop. Headquarters were at Madison, but are now located at Viroqua, in the center of the producing area of the type tobacco handled by the cooperative. The association has functioned continually since it was organized.

The association's services include receiving, packing and warehousing tobacco for members; disseminating information on production and handling the crop, such as selection of proper varieties, planting, harvesting, and classification of tobacco in preparation for sale; displaying, selling and shipping such tobacco.

Originally the association used a full-delivery marketing agreement, with the right of cancellation by either party at the end of stated 5-year periods. The present contract gives the growers the option of marketing their

own tobacco. It also authorizes the association to make settlement for sales on an individual basis as soon as the cooperative has sold the growers' tobacco. Thus a member is not required to wait until all growers' tobacco is sold before he receives full payment for his crop. Handling its members' crops individually in this way means that the cooperative no longer pools the members' tobacco and, therefore, is a pool in name only.

Under the revised growers' contract, the marketing charge may not exceed 1 cent a pound. The marketing agreement continues to be a 5-year contract with right of termination by either party during the month of June each year. Unless terminated, the contract continues for another 5-year period. If the grower notifies the association of his desire to market his crop himself, he is entitled to make the sale of his tobacco produced that year. If he does so, however, he agrees to pay the association 1 cent a pound on such tobacco.

The association handles tobacco for members only. It owns and operates three warehouses at different locations for convenience in storing its members' tobacco, pending sale. It operates additional warehouses under lease.

Other Cigar Tobacco Cooperatives.—The Lancaster County Tobacco Growers' Cooperative Association, Lancaster, Pa.; the Cigar Tobacco Cooperative, Inc., Miamisburg, Ohio; the Conn-Mass Tobacco Cooperative, Holyoke, Mass.; and the Wisconsin Cooperative Tobacco Growers' Association, Edgerton, handle around \$4½ million worth of tobacco each year for some 3,700 growers under the price support program.

Fire-Cured Tobacco.—Fire-cured or dark-fired tobacco derives its name from the fact that it is cured in barns with the heat and smoke of open fires going up through the leaves. It is a very dark heavy type of tobacco. At one time as much as 70 percent of the dark-fired tobacco was exported largely for use in cigars and for smoking and



Weighing and labeling tobacco before putting it up for sale at warehouse.

chewing tobacco. In this country it is used principally in making snuff.

Because of the decline in consumption, the trend of production of this type tobacco has been downward since about 1920. The average acreage devoted to fire-cured tobacco in the 10-year period ending with 1951 showed a decline of 41 percent from the average for the 10 years ending with 1943. Thus problems of cooperatives handling dark-fired tobacco are not confined solely to marketing and distributing tobacco, but include such questions as crop diversification.

Four cooperatives handle dark-fired tobacco: Eastern Dark-Fired Tobacco Growers Association, Springfield, Tenn.; Western Dark-Fired Tobacco Growers Association, Murray, Ky., Stemming District Tobacco Growers Association, Henderson, Ky., and the Virginia Dark-Fired Tobacco Growers Marketing Association, Farmville, Va.

The first three associations were organized in 1932 and began marketing operations with the 1931 crop. The 1932 crop was the first handled by the Virginia association. The quantity of dark-fired tobacco now produced in the area served by the Stemming District Tobacco Growers Association is

inconsequential. The association's volume at the present time consists primarily of dark air-cured tobacco which it handles and markets in about the same way as fire-cured tobacco. In 1953 the 4 associations handled approximately 20 percent of the United States dark tobacco production.

Marketing activities of these associations are essentially the same. Each of them owns one or more warehouses for handling, storing and selling tobacco. The marketing agreements used are quite flexible. Members are permitted to sell their tobacco at the farm if they so desire.

Growers are encouraged, however, to offer their tobacco for sale over the auction floor, where there is competition in bidding for their crops. If the bid at the auction is not acceptable, the grower may reject it and turn the tobacco over to the association. He will then receive an advance under the Government's loan program.

The association processes and stores its members' tobacco and offers it for sale to the trade. Receipts from the sale of the tobacco above the loan advance and handling costs are paid to the growers in the form of patronage dividends. That portion of the crop delivered to the association for sale is pooled and, therefore, individual lots lose their identity. The grower receives an advance on the pooled tobacco, pending its sale, and final payment when all tobacco in the pool is sold.

Beginning with the 1953 crop, that portion of Virginia's dark-fired tobacco crop placed under Government loan was consigned to the Dark Tobacco Sales Cooperative, Farmville, Va., a subsidiary of the Virginia Dark-Fired Tobacco Growers Association.

Burley Tobacco.—Burley tobacco grown in Kentucky and other central-west and south-central States, represents from 20 to 25 percent of the total United States tobacco crop. It is used principally in cigarettes and in smoking and chewing tobacco. Less than 5 percent of the burley crop is exported in normal times.

Burley Tobacco Growers Cooperative Association.—One of the largest and most successful of the tobacco cooperatives organized in the early 1920's was the Burley Tobacco Growers Cooperative Association at Lexington, Ky. The association handled about 1 billion pounds of tobacco from the date of its organization in 1921 to the end of its 5-year grower contract which terminated with the 1925 crop. As a result of delay in selling the 1923, 1924 and 1925 crops, an insufficient number of growers signed new contracts and the association ceased active operation with the 1925 crop. It maintained its corporate structure, however.

In the 1940 and 1941 seasons and continuously since the 1945-46 season the association has handled tobacco under the Government's program. In these activities the association functions essentially the same as other tobacco cooperatives in carrying out the price support program.

Central District Warehousing Corporation.—The Central District Warehousing Corp. at Lexington, Ky., was originally created as a subsidiary of the Burley Tobacco Growers Association. It now functions independently. Stock ownership in the corporation is confined to those producers who acquired stock through deductions from proceeds of sales of their tobacco. The corporation owns some 16 warehouses, all in Kentucky. These warehouses handle around 20 million pounds of tobacco each year for some 18,000 growers. The association does not sell tobacco. Its revenue is based on the volume of tobacco handled through its warehouses, all of which is sold by the loose-leaf auction method.

Other Burley Tobacco Cooperatives.—Some half-dozen counties in northwest Missouri produce about 5 million pounds of burley tobacco each year. Production centers around the town of Weston, which has been an active tobacco market for more than 3 decades.

The Missouri District Warehousing Corp. with headquarters at Weston was

first incorporated in 1923. It started originally under the sponsorship of the Burley Tobacco Growers Cooperative Association but has operated independently since the parent cooperative ceased operations in the late 1920's. The Missouri District Warehousing Corp. operates only one warehouse at Weston.

The association has about 400 members, for whom it handles approximately 1 million pounds of tobacco each year. Tobacco is received from producers at this warehouse during the winter months, November to March, and is sold at loose-leaf auction. The operations are similar to those of the Central District Warehousing Corp. at Lexington, Ky.

The Tennessee Burley Tobacco Growers Association was organized in August 1941 under the sponsorship of the Tennessee Farm Bureau, aided by the Extension Service of the University of Tennessee and the Eastern Dark-Fired Tobacco Growers Association. The association is a nonstock organization. The fee for life membership is \$3. Voting is on the basis of one vote for each member. Only members may sell through the association.

The association's headquarters were originally at Columbia, Tenn. Its headquarters are now at Greeneville, Tenn., where it erected an office building in 1950. Since 1950 the association has also erected two storage warehouses at Greeneville. The association had some 76,000 members in 1953 for whom it had handled a total of about 87 million pounds of tobacco since it began cooperating with the Government in administering the price support program in 1945.

Other associations handling burley tobacco under the Government's price support program are the Virginia Burley Tobacco Growers Association, Abingdon, Va., and the Burley Stabilization Corporation, Knoxville, Tenn. The Tennessee Farmers Marketing Association, Greeneville, Tenn., handled 1953 crop burley tobacco under the Government's price support program.

Flue-Cured Tobacco.—More growers produce more flue-cured tobacco than any other type grown in the United States. Produced in North Carolina, South Carolina, Virginia, Georgia, and Florida, flue-cured tobacco amounts to about half of all tobacco grown in this country each year. It is used principally in the manufacture of cigarettes in this country; about half the crop is exported each year.

The Flue-Cured Tobacco Cooperative Stabilization Corp., with headquarters at Raleigh, N. C., was organized in 1946 and began operations with that year's crop. Despite the fact that this cooperative is only 8 years old, it handles a larger volume than any other tobacco association. For example, it handled in excess of \$51 million worth of 1953 crop tobacco. The association has over a half-million members whom it assists in obtaining loans on their tobacco under the Government's tobacco price support program. The cooperative takes the tobacco consigned to it under the loan, has it redried and stored and then sells it as opportunity offers. Redrying, storing and related services are performed for the association under contract.

The cooperative maintains contacts with its far-flung membership through some 150 county advisory committees, each operating in one of the principal counties producing flue-cured tobacco.

Auction Warehouses.—Each year about 90 percent of this country's tobacco crop is sold at public auction. An auction market is simply a place where growers may deliver their tobacco and have it auctioned off to the highest bidder.

When the market season opens the grower delivers his tobacco to the auction warehouse. Here it is weighed and placed on baskets. A ticket is placed on each lot showing its weight and the name of the grower. The baskets are then arranged in rows on the warehouse floor in preparation for sale. After the sale has been made the grower may (1) accept the bid and



Many associations operate tobacco auction warehouses.

receive payment that day, (2) refuse the bid and have his tobacco offered at a subsequent auction sale, or (3) consign it to an association which is administering the tobacco price support program for the Government and obtain a loan on it.

If the tobacco is consigned to a cooperative, it is immediately turned over to a redryer where excess moisture is removed before the tobacco is stored pending sale.

The important services which cooperative auction warehouses can perform is increasingly apparent to tobacco producers and a growing number of farmer cooperatives are being organized to operate such warehouses.

The Central District Warehousing Corp., Lexington, Ky., and the Missouri District Warehousing Corp., Weston, Mo., previously mentioned, are pioneers in this field and have successfully operated for more than a quarter-century.

Other auction warehouse cooperatives include Growers Cooperative Warehouse, Wilson, N. C.; Keel Planters Cooperative, Inc., Greenville, N. C.; Kinston Cooperative Warehouse, Kinston, N. C.; Producers Cooperative Association, Wendell, N. C.; the Farmers Burley Cooperative, Sweetwater, Tenn.; Farmer Coopera-

tive Warehouse, Greeneville, Tenn.; Growers Cooperative Warehouse, Johnson City, Tenn.; the Cooperative Warehouse, Morristown, Tenn.; and the Tri-State Farmers Cooperative Warehouse, New Tazewell, Tenn. The last named four associations operated for the first time in 1954. Before the opening of the 1954 burley tobacco marketing season in Tennessee, each of these four associations had completed the construction of modern warehouses at which their growers' tobacco may be sold at public auction.

Rice

The annual volume of rice handled cooperatively amounts to as much as 50 percent of the production in some ricegrowing States. For the country as a whole, the cooperative volume in 1953 was about 40 percent of the United States crop.

With a few exceptions during the past two decades each year's rice crop in the United States was larger than the year before. For example, the 5.3 billion pounds of rough rice produced in this country in 1953 was approximately $2\frac{1}{2}$ times greater than the total United States crop in 1941 and the latter was about a third larger than the 1934 crop.

The principal regions devoted to rice production are on the Gulf Coastal Plain, in southwestern Louisiana and southeastern Texas; a strip of land some 50 miles wide and 150 miles long in east central Arkansas; in the Sacramento and San Joaquin Valleys in California; and in the delta area near Greenville in west central Mississippi.

In each of the three older rice-growing areas, mentioned in the preceding paragraph, grower cooperatives have operated for many years. These associations are more diversified than most farmer cooperatives. Their services include purchasing seed rice as well as farm supplies, such as machinery and fertilizer for their producers, furnishing irrigation facilities and credit to produce the crop, operating rice dryers

to remove excess moisture before storage, storing rice, operating mills for processing the rice for consumers, and selling the rice into trade channels.

No one cooperative performs all these services, for growers' preferences in this respect are not the same in all rice-growing areas. The growers themselves in each area determine which services they will undertake cooperatively.

Thus far cooperation among Mississippi ricegrowers is confined to the operation of a rice-drying facility.

Early Cooperatives.—Cooperation among United States ricegrowers began first in Louisiana in the 1890's. The first regional rice cooperative was organized in 1910. This association had members in the States of Louisiana, Texas, and Arkansas, and maintained local offices, each with a sales manager in charge, throughout the rice areas of those three States. It was reported that the association's membership represented from 60 to 75 percent of the ricegrowers in those States.

Although the association's services were generally satisfactory to the growers, it ceased operation in 1920. Its failure was reported due to a drastic decline in prices with the association unable to sell its members' rice, and to mistakes in judgment.

American Rice Growers' Coopera-

tive.—The successor to these early cooperative efforts in Louisiana and Texas is the American Rice Growers' Cooperative Association, originally organized in 1921, with headquarters at Lake Charles, La.

A federated type of cooperative, this association's membership comprises "cooperative marketing and purchasing associations or any corporation engaged in the production of rice." There are 7 member locals in Louisiana and 10 in Texas. Individual ricegrowers are members of the several local associations.

The central office of the American Rice Growers' Cooperative Association is a coordinating and supervisory office. It makes regular reports to local managers and members on sales at principal points, stocks in various positions throughout the year, market conditions and prices in this country and abroad, receipts and distribution at various markets, acreage, production, and related information.

Organizations through which the association's operations are carried on are: (1) Seventeen member-locals, which handle the rough rice marketing operations; (2) cooperatively owned warehouses for storing rough rice; (3) an irrigation company; (4) a land leasing corporation to provide land for members in part of the Houston, Tex.,



Concrete dryer and sack warehouse at Pearland, Tex., property of the Houston (Tex.) Division, American Rice Growers Cooperative Association.

area; (5) one or more rice dryers owned and operated by each of the 17 member associations; and (6) a farm supply buying organization. Rough rice grading laboratories are maintained by the association at Beaumont and Eagle Lake, Tex.

Managers of the local associations act as sales managers for members in their districts in selling rough rice. The usual practice is for the manager to announce the dates upon which sales are to be held and to display on tables in the salesroom samples of the lots of rice for sale. Prospective buyers examine these samples and submit sealed bids. Sales are not consummated on the bids unless the growers concerned have previously submitted price limits or given approval to specific bids.

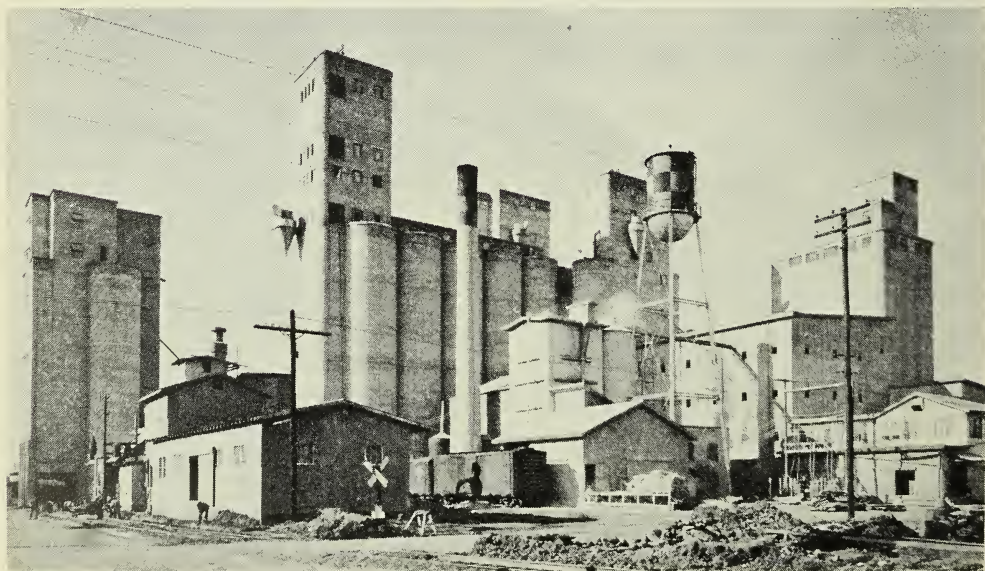
Arkansas Rice Growers Cooperative Association.—The first cooperative rice mill in the United States was owned and operated by Arkansas Rice Growers Cooperative Association at Stuttgart. Organized in 1921, it operated as a rough rice marketing cooperative. It continues to sell rough rice when its volume exceeds its milling capacity, but its major volume since 1926 has been milled rice.

In the early 1920's, before undertaking the operation of its own mill, the association entered into an arrangement with a rice-milling concern for milling its members' rice, the association handling the sales. This arrangement was not entirely satisfactory, and in the fall of 1926 the association bought these milling properties.

The association pays the growers the net amount received for their rice, less freight, insurance, and interest, after deducting, at the conclusive discretion of the association, amounts necessary for its maintenance. These amounts include costs of handling, milling, financing, and marketing reserves, dividends on stock, taxes, improvements, and an amount sufficient to purchase capital stock as provided in the articles of incorporation.

The association markets only rice grown in Arkansas and under its articles of incorporation it may handle only rice of growers who sign the standard marketing agreement.

When rough rice is delivered to the association by a member, an advance is made of 75 percent of the support price of rough rice. As the season progresses the association makes additional advances to the grower.



Arkansas Rice Growers Cooperative Association mill at Stuttgart, one of the largest rice mills in the world.

The association's services for its members include drying, storing, milling, advertising, and marketing their rice. To perform the processing operation the association owns and operates modern rice mills at Stuttgart and Jonesboro, Ark. Some 13 rice dryers at as many locations in the rice producing areas of the State are jointly owned by the producers at the several locations and by the Arkansas Rice Growers Association. The dryers put the rice in proper condition for milling and then hold it in storage until delivery is requested by the association at Stuttgart.

The Arkansas Rice Growers Association's volume has shown a tremendous increase in recent years. For example, the 3 million barrels handled by the cooperative in 1953 was over 7 times greater than the volume it handled in 1944. The volume handled in 1954 exceeded 3.5 million barrels. This increased volume necessitated enlarged storage capacity. The total storage capacity of the association and its affiliated dryers was approximately 14 million bushels in 1955.

The association is selling an increasing quantity of its growers' rice in consumer packages under its brand name, Riceland Rice. The greatly expanded package rice sales necessitated enlarged facilities for packaging operations and packaged rice storage.

Rice Growers Association of California.—The first rice cooperative in California was the Pacific Rice Growers Association, organized in 1915. That association was succeeded in 1921 by the Rice Growers Association of California, with headquarters at Sacramento. Before 1925 the association handled rough rice only, commercial mills being the principal buyers. From 1925 to 1930 it milled, on the average, 100,000 bags of rice per year on a toll basis. During a portion of this time it operated a mill under a lease arrangement.

In 1930 the association acquired milling facilities for processing its members' rough rice, and established

distributive outlets for the association's clean rice.

The association's membership comprises a large number of ricegrowers located in the principal producing areas in California. Under the terms of the marketing agreement, title to all rice produced by the member is vested in and must be delivered to the association upon harvesting. The contract remains in effect from year to year, unless terminated through written notice by either the association or the member at a certain prescribed period each year.

Upon delivery of the paddy rice either by actual physical delivery to the mill, or warehouse receipt issued by a bonded warehouse, the grower member receives an initial cash advance consistent with general market conditions. Further advances in the form of periodic progress payments are made throughout the year. Final settlement of each year's pool gives the participating member his pro rata share of the net proceeds less cash advances and less his share of the costs and expenses.

To enable it to more efficiently handle its members' increased production, the association has considerably enlarged its operating facilities by the construction of more bulk storage bins and the acquisition of additional buildings and equipment.

Other Rice Milling Associations.—Rice milling cooperatives organized in the last few years include: The American Rice Growers Mill, Houston, Tex.; Farmers Rice Growers Cooperative, San Francisco, Calif.; Louisiana Rice Growers, Inc., Crowley; and the Producers Rice Mill, Inc., Stuttgart, Ark. The progress of these more recently organized associations is indicated by the fact that each year they handle rice valued at more than \$18 million for over 800 growers.

Drying and Storage.—One of the most significant developments among ricegrowers in recent years has been the change to bulk handling of rice. This includes (1) use of the combine

in harvesting the crop, (2) removal of excess moisture from the harvested product by artificial means, and (3) storage of rice in bulk instead of in bags.

All the rice milling and marketing cooperatives in this country own and operate extensive artificial drying and bulk storage facilities for handling their members' rice. The addition of drying services has proved beneficial not only to their members but also in the cooperatives' milling operations. When damp or unevenly dried rice is milled, a large number of the grains break. This reduces the growers' return, since the percentage of whole grain rice in a given lot determines its market value. Strictly controlled drying closely coordinated with the milling operation enables the cooperatives to market high-quality rice.

In addition to dryers affiliated with the cooperative mills some 23 cooperative dryers operate independently. The independent dryers serve some 1,300 growers in the 5 producing States. Their average volume is around \$6 million annually.

Although drying rice artificially is not new, the extreme shortage of labor during World War II years gave added impetus to this method of handling the crop. The first commercial rice dryer was used in California in 1927. The first dryer in the Southern States was installed and successfully operated at Nome, Tex., in 1930. However, drying rice artificially in the South did not make much progress at that time, presumably because of an abundant supply of relatively cheap labor.

When rice is harvested, the kernels have a moisture content of from 20 to 30 percent. In the binder-thresher method of harvesting, the binder-cut rice remains in the field some 2 weeks before it is threshed. During this time the moisture in the rice normally decreases sufficiently to permit storage. Stored rice should not contain in excess of 14 percent moisture. Thus, rice harvested with the combine and con-

taining 20 percent or more moisture must be artificially dried before it can be safely stored.

Advantages of the combine-dryer-bulk storage method of handling rice include (1) reduction in labor requirements for harvesting by 50 to 60 percent, (2) improved milling quality of rice, (3) reduction in loss through sun checking, (4) elimination of cost of sacks and labor incident to sack handling, (5) reduction of weather hazards during harvesting season.

Dry Beans and Peas

Dry Beans.—This country's average annual dry bean crop is some 17 million bags of 100 pounds each. Six States usually produce about 90 percent of the total crop. For example, in the 10 years ending with 1953, California accounted for 25 percent of the average annual crop for the country as a whole; Michigan, 24 percent; Idaho, 13 percent; Colorado, 12 percent; New York, 9 percent; and Wyoming, 7 percent.

The States which produce dry beans commercially usually specialize in growing particular varieties. California produces practically all the dry limas, Michigan produces the major portion of pea beans, Colorado produces over half the pintos, Idaho and Wyoming are the principal sources of great northern. Marketing and processing cooperatives have an important place in the sale and distribution of this country's bean crop. Operating in each of the principal bean producing States, these associations handle about 20 percent of the total production each year and represent some 15,000 producers.

The system of marketing dry beans includes the local elevator or shipper, warehouseman, wholesaler, and retailer. The first two functions generally embrace the services performed by bean cooperatives. The cooperatives usually operate one or more elevators where beans are received from producers and put in marketable condition.

With special machines and other equipment, the local elevator removes small stones, particles of dirt, and other material not taken out in threshing. Although most cooperatives confine their activities to those functions usually performed by local elevators, some render a complete marketing service to producers all the way to the wholesale grocers. One of the cooperatives is giving increased attention to canning dry beans.

The California Lima Bean Growers Association.—Organized in March 1916, the California Lima Bean Growers Association, Oxnard, is the oldest dry bean cooperative in the United States. This association is a federated cooperative, with a membership of 17 local associations serving more than 800 producers. In the first year, the association handled more than 250,000 bags of standard limas; its total volume is now nearly three-fourths of a million bags annually. For the year ended September 30, 1953, the cooperative sold over 848,000 bags of beans for more than \$9.5 million.

The major portion of the association's volume consists of the large or regular limas. About 20 percent of its annual volume is baby limas. It also handles substantial quantities of blackeyes and pintos each year.

The association acts as a sales agency and all warehousing, cleaning, grading, handling, packaging, and shipping are under the direct supervision of the association's inspectors. When necessary to conform to the terms of the sale contract Federal-State inspectors check for grade at time of shipment or delivery. The association handles beans on a pool basis. It makes sales through food brokers in about 125 of the principal distributing centers in the United States and Canada. In the beginning the association sold all its beans in 100-pound bags. In recent years an increasing quantity has been sold in cellophane packages. The cooperative carries on its packaging operations in its modern packaging plant. Beans are received



Powell, Wyo., plant of the Big Horn Cooperative Marketing Association, Basin, Wyo., where the cooperative processes its members' dry beans for the consuming trade.

at the plant, stored and packaged and never touched by hand.

The cooperative sells a substantial volume of its large limas and baby limas as canned limas. The association does not own any canneries and has its beans canned under contractual arrangement. The canneries are located in different parts of the United States, and recently a contract was entered into with a cannery in Canada. Having chosen its canneries with great care in the first instance, the cooperative further insures high-quality pack by requiring canneries to follow strictly its specifications in the canning operation.

The association sells all its large limas, whether in 100-pound bags or in cans or consumer packages, under its brand name Seaside, developed many years ago. More recently the cooperative established the brand name Westside for its baby limas.

Michigan Elevator Exchange.—Organized originally in 1921, Michigan Elevator Exchange has its headquarters at Lansing. Its first members were 45 local cooperative elevators, which invested a total of \$16,000 to provide a central grain, hay and bean cooperative marketing agency. The Exchange today consists of 101 member cooperatives in Michigan operating 145 local elevators. In 1954, the

Exchange did in excess of \$20 million worth of business in marketing its members' wheat, corn, oats, rye, barley, soybeans, and dry edible beans.

With plants at Port Huron, Marysville, and Jackson, Mich., the Exchange operates the largest bean processing facilities in the country. At these plants beans are received by truck and carload, picked to purity by photoelectric sorting machines, polished and dried if necessary, and stored if immediate sales are not made. While most of the beans are shipped to the canning industry in 100-pound burlap bags, an increasing percentage is going to the grocery trade in consumer-size cellophane and polyethylene bags.

The Exchange packs all varieties of beans, peas, and lentils under its own brand "Bunker Hill" and also the four Michigan-produced varieties (navy, cranberry, red kidney, and yellow eye) in consumer packages under a new national cooperative brand "Casserole" owned by American Bean and Pea Growers, Inc., of which the Exchange is a member.

In 1950 the Exchange embarked on a program of expansion to increase and improve its handling and processing facilities so that it might provide more efficient service to its members. It constructed in three stages a 4-million-bushel grain terminal elevator near Ottawa Lake and in 1955 had completed the addition of an automatic car dumper and expanded drying facilities. It purchased a grain and bean elevator in Jackson primarily for use as a bean

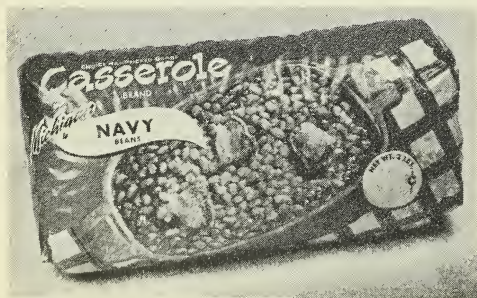
processing subterminal. This elevator is equipped with 80 photoelectric-eye sorting machines to supplement the 146 in use at Port Huron.

The Exchange purchased a 2-story frame building in Port Huron to provide necessary space for the expanded consumer packaging operations. It also purchased a 10-silo storage unit with 350,000-bushel capacity at Marysville near Port Huron to serve for bulk storage of both beans and wheat.

The Exchange has an effective public and membership relations program. To facilitate contacts with managers, directors, and producers in its member organizations, the Exchange inaugurated the publication of a monthly *Grain and Bean Bulletin* early in 1951. The mailing list has grown from about 1,500 names at the outset to about 10,000 at the present time. It is sent to lists of farmer-patrons on a subscription basis by many local cooperatives. The Exchange has a full-time fieldman to maintain frequent personal contact with member organizations.

Other Dry Bean Cooperatives.—Included among the farmer cooperatives marketing and distributing dry beans are Cooperative G. L. F. Exchange, Ithaca, N. Y.; Wyoming Pure Seed Growers, Worland; Bean Growers Warehouse Association, Twin Falls, Idaho; Mini-Cassia Marketing Cooperative, Rupert, Idaho; Big Horn Cooperative Marketing Association, Basin, Wyo.; Farmers' Union Grain and Supply Co., Billings, Mont.; Bean Growers Association of California, Sacramento; Stockton District Kidney Bean Association, Linden, Calif. Each of these associations handles a substantial volume of dry beans for producers each year.

Joint Sales Agency.—Dry bean marketing cooperatives in Colorado, Idaho, Wyoming, and Montana organized the Western States Bean Cooperative in 1947. Functioning as a joint sales agency for its 6 member cooperatives, the association's headquarters are at Denver, Colo. Thus far, its operations have been confined primarily



Casserole brand name, trademark of American Bean and Pea Growers, Inc., Denver, Colo.

to marketing its members' dry beans in bulk; that is, in 100-pound bags. However, an increasing proportion of its sales each year is in consumer packages.

In 1953 the association purchased a warehouse in Denver to be used for storing and packaging dry beans.

Whether its beans are sold in bulk or in consumer packages, the cooperative markets them under its brand name "Outwest". The selling function includes such activities as storing limited quantities of beans in Denver to facilitate mixed car shipments, carrying spot stocks at a few important markets to permit prompt filling of orders, and keeping member associations abreast of market trends and conditions.

Dry Peas.—Washington and Idaho produce over 75 percent of the dry edible peas grown in this country each year. Production of dry peas in 1954 was about 3 million bags of 100 pounds each. This compares with the average annual crop of 2 to 3 million bags prior to World War II. Production during the war years was greatly in excess of this amount.

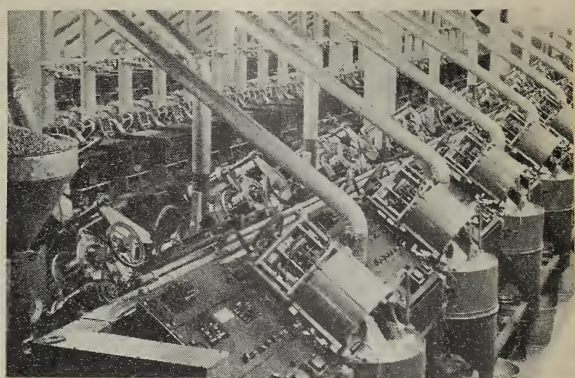
Producers of dry peas are primarily wheat growers. However, production of dry peas is an important source of income to farmers in the Washington-Idaho area.

Some half dozen cooperatives in the two States sell a substantial volume of dry edible peas each year, along with grain and other farm products.

Inland Empire Pea Growers Association.—One of the successful cooperatives handling dry peas is the Inland Empire Pea Growers Association, with headquarters at Oakesdale, Wash.

Organized in June 1940, the association provides marketing services for its 700 members' peas, beans and lentils. Dry peas constitute about 90 to 95 percent of the total volume each year. The association markets its members' dry peas under a pool system.

To more effectively serve members, the cooperative maintains facilities at various locations in its area of operation.



A battery of electric-eye sorting machines of Michigan Elevator Exchange at Port Huron.

Although over 95 percent of its dry peas are sold in bulk each year, the volume sold in consumer packages is increasing. At its modern and up-to-date processing plant at Oakesdale, the cooperative has installed a fully automatic machine for packaging peas for the consuming trade.

The cooperative sells to domestic and foreign buyers, although the major emphasis is on the domestic market.

American Bean and Pea Growers, Inc.—Marketing problems confronting dry bean and pea marketing cooperatives have become increasingly complex in recent years. Competition among the several varieties is keen; marketing agencies at centers of distribution must have a complete line of beans and peas easily available; wholesalers are taking only limited quantities at a time; and there is a growing demand for such products in consumer-size packages.

To pool ideas and to exchange information on handling, storing, packaging, and distributing beans and peas, several of the larger bean and pea marketing cooperatives set up a national marketing organization known as American Bean and Pea Growers, Inc., Denver, Colo. Members of this new organization include four of the largest cooperatives in this field: California Lima Bean Growers Association, Oxnard, Calif.; Inland Empire Pea Growers, Oakesdale, Wash.; Michigan Elevator Exchange, Lansing, Mich.;

and Western States Bean Cooperative, Denver, Colo.

American Bean and Pea Growers has purchased exclusive use of the brand name "Casserole" and each of the member organizations packages its locally produced varieties under this brand in attractive cellophane packages adorned with a full-color reproduction of a casserole of the prepared product.

Sales of all varieties will be made in each market by a single sales representative and each variety will be shipped to the market from the production area, making for a highly efficient distribution system.

Sugarcane

About one-half the world's sugar is produced from sugarcane. The remainder is manufactured from sugar beets, except for small quantities of maple sugar. United States production of sugarcane for sugar normally is around 6 million tons a year with a little less than 85 percent coming from

Louisiana and the remainder from Florida.

The first cooperative sugar mill in the United States was organized in June 1932, at Napoleonville, Assumption Parish, La. Nineteen growers formed the Glenwood Cooperative, Inc., and leased one of the idle mills in Assumption Parish with an option to purchase. Operations the first year were successful under a lease arrangement. Before beginning operations the second year, the association exercised its option to purchase the mill. The organization has continued to make progress. Nine other sugar cooperatives were operating in Louisiana in 1953-54 and one was operating in Florida.

In 1953 the average annual volume of the Louisiana cooperatives was approximately 22 percent of the sugarcane production in the State, whereas the volume of the Florida cooperative was a little less than 9 percent of the State's production. The Florida cooperative manufactures refined sugar and molasses.



One of the 10 cooperative cane sugar mills operating in Louisiana, the St. Mary Sugar Co-op.

Each of the Louisiana cooperatives owns and operates a mill to manufacture raw sugar from the cane produced by its members. In general the plans of operation are similar. Each association receives sugarcane from producers and processes it into raw sugar. The cooperatives sell their raw sugar to refiners direct or through brokers. Roughly 107 pounds of raw sugar produces 100 pounds of refined sugar. Molasses is an important byproduct in sugar manufacture and represents a significant source of revenue for sugar cooperatives.

Sugar making is said to be one of the country's most efficient industries and competitive conditions require the most modern processing and handling operations. Ten pounds of sugar, more or less, extracted from a ton of cane may mean the difference between profit and loss. Consequently close attention is given to every phase of operations. At each cooperative mill, laboratory technicians and chemists test and measure the juices at various stages in the process of manufacture.

Thus, through their cooperative mills, cane growers are able to exercise a greater degree of control over the quality of the manufactured product. At the same time they benefit from any savings that result from improvements and increased operating efficiency. Comprehensive reports covering operations of the associations, including a report of a chemical engineer presenting comparisons of chemical and manufacturing results, are made to their boards of directors each year. Thus officers of the associations are able to show the producers relative proportions of sugar and other solids in juice produced from different varieties of sugarcane. They can advise the growers on the cost of extracting sugar from different kinds of sugarcane and show effects of these costs on returns to the growers.

Handling more than 1¼ million tons of cane annually for some 1,300 growers, Louisiana cooperatives are



Louisiana sugarcane cooperatives handle over 1¼ million tons of cane each year for about 1,300 growers.

making a generally satisfactory record. They are demonstrating that, when it is deemed necessary, producers can enter a highly technical field and cooperatively carry their product a step farther on the road to the consumer.

Sugar Beets

Sugar beets are produced in 16 of the Western and Central Western States. Of these, California, Colorado, and Idaho are normally the leaders and account for approximately 50 percent of the total United States production. In 1953-54 there were some 46 sugar-beet cooperatives in the United States. These associations usually have an annual volume of about \$100 million and a total membership of some 30,000. The associations operating in the Western States have an average annual volume of approximately \$40

million. They have nearly 2,800 member-patrons.

Cooperation among sugar-beet producers in the Western States first took concrete form some 35 years ago with the organization of the first bargaining associations. Their services to the producers are much more limited than those of the sugarcane cooperatives. The bargaining associations have no responsibility for assembling, processing, or distributing. The primary functions of these associations relate to negotiations with the processor regarding the price to be paid for the beets.

However, they also perform other important functions. For example, these associations employ chemists to visit the factories during the operating season to check the tests made by factory chemists. Representatives of the associations also examine scales at beet dumps for accuracy and check the tare charged against the beets in order to make sure it is not excessive.

Information obtained by the associations in performing their routine functions during the operating season is valuable in negotiations respecting the price to be paid growers for their beets. Somewhat detailed contracts cover relations between processor, grower, and the association.

Mountain States Beet Growers Association.—One of the oldest and most successful of the beet grower bargaining cooperatives is the Mountain States Beet Growers Marketing Association, with headquarters at Greeley, Colo.

The association's importance in contract negotiations—its role in representing the producer in developing a fair and equitable basis for the sale of sugar beets to the processor—is indicated by the fact that in these negotiations it represents some 5,000 growers, who produce in excess of 1 million tons of sugar beets annually. The board of directors of the association conducts these negotiations with the processors. Sometimes the negotiations extend over several weeks.

The association's contract with the

processors provides, among other things, that beets shall be purchased on a sliding scale of prices in which factors are yield per acre, sugar content of the beets, and the price of sugar.

Among other types of contracts employed by beet grower bargaining associations is the so-called 50-50 contract, under which the producer receives 50 percent of the net proceeds from the sale of the sugar, after deduction of costs and expenses properly chargeable to marketing.

Expenses incident to the operations of the Mountain States Beet Growers Marketing Association are met by the processor's deducting 2 cents for each ton of beets from the proceeds due the producer and returning that amount directly to the association. Other beet grower bargaining associations have comparable provisions in their contracts with the processors.

National Beet Growers Federation.—State and regional beet grower cooperatives in Colorado, Montana, Wyoming, Idaho, Utah, Nebraska, Oregon, South Dakota, and Washington organized the National Beet Growers' Federation, Greeley, Colo., in January 1945. Its purpose is to provide "... a voluntary federation of sugar-beet grower organizations to promote the general welfare of sugar-beet farmers ..."

The federation's functions include such matters as encouraging better methods of production and marketing and coordinating the activities of member associations.

The 13 beet grower associations operating in the north central area, including Michigan and Ohio, have some 5,600 member-patrons and an average annual volume of \$10 million. Like the western associations, the beet grower cooperatives in Ohio and Michigan function principally in bargaining for terms of contract between grower and processor and in checking settlements for beets made by the sugar companies. Some associations also purchase farm supplies, principally fertilizer, for their member-patrons.

Honey

Every State in the Union produces honey. Practically every farming community has one or more beekeepers; yet the United States honey crop averages only about 240 million pounds annually. The number of colonies of bees has averaged over 5½ million for the past 5 years.

The 6 existing honey marketing cooperatives in the United States had about 800 member-patrons in 1953-54, and a combined volume of approximately 25 million pounds of honey.

Cooperation among beekeepers in marketing their honey is not a new undertaking. The Farmer Cooperative Service has records of honey marketing cooperatives formed nearly 50 years ago. Though they were successful for many years, most of these organizations, for one reason or another, no longer exist. Most cooperatives operating in 1955 had improved their financial position and their membership relations and perfected their operating and processing methods.

Before honey reaches the consumer, it usually undergoes some processing. Honey marketing cooperatives own facilities and do processing. They have trained employees to supervise the several processes. The functions performed by these cooperatives are essentially the same. They include (1) straining the honey to remove any sediment or foreign material; (2) blending to insure uniform color, flavor, and density; (3) heating to destroy yeasts and prevent crystallization; (4) packaging; and (5) sale and shipment to distribution agencies. By a method of processing developed some 20 years ago, honey is blended to standard flavor, color, and moisture content; heated sufficiently to kill the germs of fermentation; and then converted to granulated form. The final product is a fine, smooth, crystalline honey which some consumers think is more palatable and has better keeping qualities than liquid honey. The process is pat-

ented. Most of the honey cooperatives have obtained authority to use the process, and cooperative leaders believe it may aid materially in stimulating demand for honey.

Sioux Honey Association.—The oldest and largest of existing honey marketing cooperatives is the Sioux Honey Association, Sioux City, Iowa.

This association has a rather extensive merchandising organization which is doing an active job in the sale and distribution of its members' honey. It sells most of its honey under its own brands.

To more effectively serve its member-patrons and supplement operations at its central plant at Sioux City, the association also owns and operates branch plants at Lima, Ohio; Anaheim, Calif.; Tacoma, Wash.; and Rogers, Tex.

The association has a modern laboratory at the plant in Sioux City where it employs a full-time chemist. Research conducted by the chemist is designed to develop new products and new uses for honey. The cooperative carries on continuous studies in an effort to find answers to processing



Of the six honey marketing cooperatives in the United States, Sioux Honey Association, Sioux City, Iowa, is the oldest and largest.

problems and improve processing techniques.

Tests made on honey at time of delivery enable the cooperative to more accurately determine the quality of honey delivered by producers. Management is thus able to more effectively assist association members by pointing out quality deficiencies in a given lot. This enables producers to improve the quality of their product through better production processes. A closely coordinated reporting program enables the association's plant managers to be currently informed regarding the type, quality and condition of honey received at its several plants.

Other Honey Marketing Associations.—Finger Lakes Honey Producers Cooperative, Inc., Groton, N. Y., owns modern processing facilities and markets its own brands. Ohio Honey Association, Columbus, has its honey processed under contractual arrangement. Cooperative honey marketing associations recently established include the Imperial Valley Honey Marketing Association, Brawley, Calif.; Valley Honey Cooperative, Sacramento, Calif.; and the Florida Honey Cooperative, Umatilla.

Maple Products

Vermont and New York lead the 10 more important maple-product States. Together they normally account for some 70 percent of the total United States production.

The Vermont Maple Cooperative, Inc., with headquarters at Essex Junction, was organized in February 1931, and operated for some 20 years. It was a nonstock cooperative. The association handled maple products for producers in nearly all parts of Vermont. The Vermont State Farm Bureau Cooperative succeeded it. The latter ceased operations in the early 1950's.

Several local associations formed about 1920 were the first cooperatives to market maple products in New York

State. Other locals were formed, but for one reason or another they discontinued operations.

The Maple Producers Cooperative Association, Inc., at Gouverneur, N. Y., was organized in 1921. It was an outgrowth of efforts of a group interested in setting up a statewide association to unite all maple producers in New York. In 1953, 500 producers marketed maple products valued at over \$55,000 through the cooperative. The association conducts processing operations.

The association employs an agency type contract which may be terminated during the month of October of any year. If the member does not exercise the right of withdrawal during October, he continues to be a member the next year.

Hay

Cooperatives handling hay are confined principally to the Western States. However, some of the large supply buying cooperatives in the East market large volumes of hay for their member-patrons. The hay cooperatives usually handle in excess of \$10 million worth of hay for some 3,000 producers each year.

Among the more successful hay cooperatives in this country is the Imperial Hay Growers' Association with headquarters at Westmorland, Calif. Incorporated in 1932, this association was organized to market its members' alfalfa hay to suppliers of feed for dairy cattle in the San Diego and Los Angeles milksheds.

Beginning with the 1940 season the cooperative inaugurated a system of pooling. All hay of the association's members grading U. S. No. 2 or better is pooled. Starting April 1 and ending May 31, each pool operates for 2 weeks; from June 1 to October 1 each pool lasts a month. On October 1 a seasonal pool is established which runs to March 31. All hay produced prior to October 1, but not declared in a pool existing prior to that date, is

placed in the seasonal pool. The association makes advances to members when hay is delivered and makes progress payments thereafter as hay is sold. The cooperative makes settlement when all hay in the pool has been sold.

The Imperial Hay Growers Association has branch offices at El Centro, Hynes, El Monte, and Ontario, Calif. The association hauls hay to the consuming area and sells it direct to dairy farmers in southern California's milksheds through one of the association's four branch offices.

The association has some 200 members, approximately half of them active producers of hay each year. The rest grow hay from time to time under crop rotation programs. The combined hay acreage of the association's members is approximately 50,000 acres, or some 30 percent of the total acreage devoted to alfalfa production in Imperial County, Calif.

Included also in the more important hay marketing cooperatives are the Antelope Valley Hay Growers Association, Lancaster, Calif., organized in 1931; Blythe Alfalfa Growers Association, Blythe, Calif., organized in 1938; and the San Joaquin Valley Hay Growers Association at Stockton, Calif., which got underway in 1940.

Forest Products

Like other farmers, owners of farm forests frequently cannot afford to own the necessary machinery to efficiently prepare their timber for higher grade uses on the farm, or for sale in the market place. This can be done, and is being done, through cooperative action. Also, by joining together these farmers increase their bargaining power.

Some 1,300 farmers are cooperating in harvesting, processing and marketing the products of their forest lands. The raw products include logs, pulpwood, railroad ties, fence posts, tung nuts for tung oil, and gum spirits for producing turpentine and rosin.

The average annual volume of the

cooperatives which handle forest products is approximately \$400,000. Farmer Cooperative Service records show associations in New York, West Virginia, Michigan, North Dakota, and Minnesota. These associations are engaged primarily in converting the "ripe" trees in their member-patron's forests or wood lots into merchantable products. Some engage in tree cutting and logging, and operate sawmills for turning surplus trees into lumber or material for making boxes.

One of the outstanding cooperatives in this group is the Otsego Forest Products Cooperative Association, Coopers-town, N. Y., organized in 1935. This association prepares hardwood timber for sale in the general market and saws and planes local hemlock and pine for use in the community.

In addition to marketing, the association encourages better care and increased productivity of woodlands. Thus forest products producers who become members of the association identify themselves with a program which aims to end the practice of stripping wood lots and utilizing the best trees. It encourages selective cutting and more complete utilization and thereby facilitates a forest management policy based upon sound technical advice.

In the association's marketing agreement the member promises that he will use and care for his forest lands in conformity with methods of forestry practice adopted by the association.

The association has approximately 1,150 members and its lumber sales aggregate \$145,000 annually.

Several farmer marketing associations operate lumber mills and box factories so they may more efficiently market their members' products. For example, the Sunkist Growers, Inc., Los Angeles, and the California Fruit Exchange, Sacramento, engage in extensive lumbering and milling activities to supply the needs of their member associations. The same is true of several of the large supply cooperatives, such as the Cooperative G. L. F. Exchange,

Inc., Ithaca, N. Y., the Indiana Farm Bureau Cooperative Association, Indianapolis, and the Consumers Cooperative Association, Kansas City, Mo.

Seed

Between 400 and 500 cooperatives market seeds for growers. This number includes approximately 25 associations marketing seed exclusively, over 400 local cooperatives and 4 or 5 regional cooperatives marketing seed as a sideline service.

Although seed marketing associations do not handle a large percentage of the total volume sold commercially, they have made several definite contributions for their member growers.

They have been able to get higher net returns for their patrons by performing, at cost, some of the functions necessary to move seed through the channels of trade. By building up a reputation for seeds of quality and dependability, the cooperatives have obtained higher prices than might have otherwise prevailed. In addition, their operations have frequently helped reduce local operating margins and establish more accurate grading and dockage practices.

The extent to which cooperatives have made operating savings and improved the growers' market varies widely. The local association operating independently and providing only local assembling service does not have the opportunity to make savings or influence trade practices as does the association that assembles, processes, and distributes seed to wholesalers, or even directly to retailers or to farmer purchasers.

The opportunity for service, especially by the local cooperative operating independently, is definitely limited by the volume of seed handled and by seasonal volumes. In addition both specialized personnel and equipment are required for the best results. Even associations that specialize in marketing seed find it desirable to provide other commodity services to better

utilize their equipment and personnel.

Specialized Seed Marketing Cooperatives.—The specialized seed marketing cooperatives usually operate in regions most favorable to the production of high-quality seed. These associations usually process and distribute seed directly to wholesale buyers. Where volume is small, cooperatives may buy seed on an estimated clean seed basis or they may make returns on the actual outturn from the cleaners.

Most of them use the pool method of marketing—some exclusively. Others give the producer his choice of pooling or accepting the current going cash market price. Experience indicates, however, that the price per pound on final pool settlements averages higher as a rule and with less speculative risks to growers and to the associations.

Seeds handled by the specialized associations include alfalfa, clover, onion sets, cottonseed, Kentucky bluegrass, seed potatoes, and seed peas. Some of the larger specialized seed marketing cooperatives include Cal-Approved Seed Growers Association, Berkeley, Calif.; California Ladino Clover Association, Inc., Willows, and the Missouri Seed Growers Cooperative, Kansas City.

A few specialized associations have developed programs to help their growers produce superior seeds. For example, the Crites-Moscow Growers, Inc., Moscow, Idaho, has a program of research, plant breeding, and supervised production to provide seed for the quality of products wanted by the canning or freezing trades. Cooperatives handling seed potatoes make a special effort to get foundation seed of the highest quality for their growers. Two associations produce their own stocks—growing seed under the best conditions of isolation and disease control. Some associations have established their own breeding and producing programs for hybrid seed corn. The aim is to find crosses most useful and profitable to their members.

Seed processing is another highly important means of improving seed

utility value and is the only method used by many of the associations. The Tennessee Valley Cooperatives, Inc., Decatur, Ala., in buying oats for its seed mill discovered that many lots contained usable clover seed. The association now cleans the oats at its seed plant, pays the farmer for clover seed recovered, and sends the oats to the adjoining feed mill. As a result the farmer often obtains a premium over the regular market price for his oats.

Membership and dollar volume of the specialized seed associations are comparable to those of the larger local marketing cooperatives. Territories served by specialized seed cooperatives are usually larger. Working capital needs are low for those marketing on a pool basis, while those providing other commodity services carry larger inventories and accounts receivable.

About 60 percent of the seed marketing associations undertake to provide processing and marketing services. The other 40 percent assemble seed and sell it in the rough to processors.

Regionals Provide Service To Locals.—Small local associations have found that the benefits of processing, warehousing, and merchandising seed can best be obtained through a regional cooperative. The aggregate volume of a number of locals is usually large enough to justify machinery, equipment, and personnel for an effective seed marketing service by the regional.

Such regional associations can also

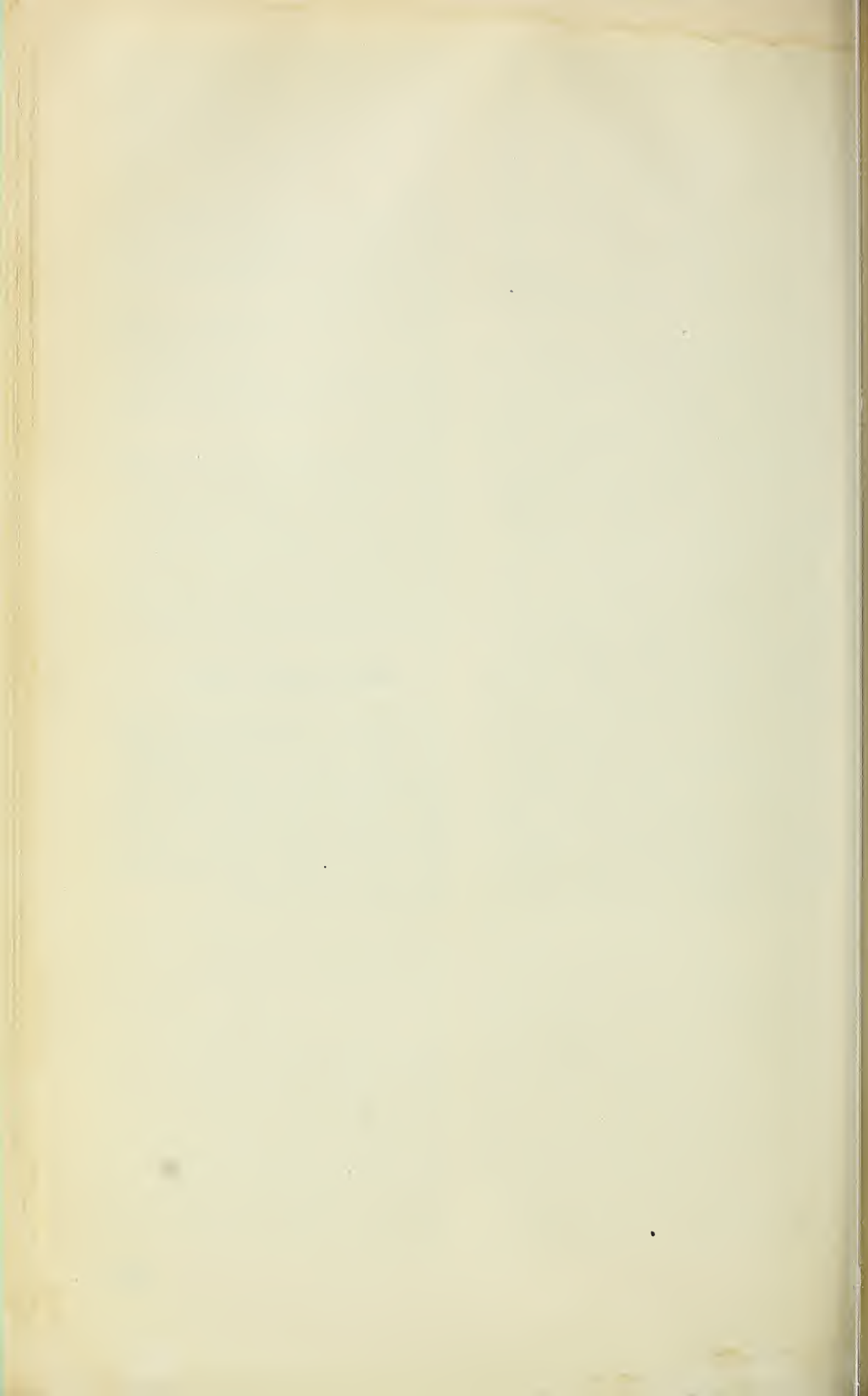
provide educational material to member cooperatives and their growers. They can keep them informed as to prospective crop and marketing conditions. Some of the regional cooperatives which purchase seed for their member local associations are well-equipped to do an excellent job of processing and marketing. They employ approved practices and policies recommended by specialized seed marketing associations.

Under existing conditions of seed production increasing participation by regional cooperatives appears the most promising means of improving the general level of cooperative seed marketing service.

Cooperatives that market seed contribute substantially to better crop production as they improve their services. They do this by correct grading and processing, by efficient operations, by sound merchandising, and by using all practical methods to help their growers produce seed which will be of the greatest value to farmers buying the seed.

Other Special Crops

In addition to the special crops mentioned herein, cooperatives also market many small crops and local products. Cooperatives market flax, furs, hemp, hops, cut flowers, ferns, bulbs, and nursery stock. Many of these cooperatives, with average annual business in excess of \$1 million, have developed outstanding organizations.



Farmers Buy Supplies Cooperatively

by J. Warren Mather and Lacey F. Rickey

AMERICAN farmers have long used cooperatives in obtaining supplies and equipment needed for their farming operations. They bought \$2 billion worth of production supplies and equipment through their cooperatives in 1952-53. This volume of business represented 3 of every 5 farmers in the Nation. It was approximately one-sixth of the total spent by all farmers for these items.

Farmers use these cooperative techniques not only to cut their costs, but also to get the kind or quality of feed, seed, fertilizer, petroleum, and other supplies they want.

From 1930 through 1955, farm supply cooperatives experienced marked growth. This was brought about by the sound business principles followed by cooperatives and by the rapid increase in expenditures for farm supplies. Farming has become highly mechanized, diversified, scientific, and commercialized. As a result farmers use formula feeds, petroleum products, high-analysis fertilizers, pesticides, miscellaneous equipment, and other items in increasing quantities.

With these developments farm supplies have become an item of greater importance in the farmer's budget—averaging about \$3,750 per commercial farm in 1954. Such expenditures then were about 8 times as much as they were before World War I. Even after allowance is made for changes in price levels, the physical quantity of supplies used on farms has increased about threefold. In 1954, farmers

spent approximately 45 percent of their cash farm income for production supplies and equipment compared with about 25 percent in 1915.

Cooperative purchasing of supplies over the last 100 years has evolved from simple to complex and diversified forms. The earliest practices consisted of neighborhood pooling of orders for carlot purchases and bargaining for price concessions by farm organizations for their members. The next step was the organization of farm supply cooperatives with warehouses and managers. Local marketing associations also added supplies as a sideline service. Some of these locals grew into centralized cooperatives serving farmers over a wide area through branch stations and private dealer agents.

As local cooperatives saw advantages in pooling their buying power, they federated into regional wholesale cooperatives. These regionals at first confined their activities to purchasing members' requirements on a brokerage or commission basis. Then they gradually began purchasing supplies on contracts or on the open market and warehousing and distributing these supplies to the locals.

From time to time wholesale cooperatives found it expedient to manufacture some of their supplies. They saw opportunities to improve savings and quality and to provide more dependable sources for their locals. Shortages of certain supplies during World War II greatly stimulated



Early co-op efforts mostly consisted of a group of farmers getting together to buy a carlot of supplies.

manufacturing by cooperatives. A few have moved further toward the source of supplies by producing some of their raw materials.

A number of regional cooperatives eventually organized separate area or

national cooperatives to perform various purchasing and manufacturing services. Over the years both local and regional cooperatives also have added many services related to their supply and equipment operations.

Have Specific Objectives

FARMERS organize cooperatives for purchasing farm supplies to make their farming operations more profitable. In performing this function cooperatives have the following specific objectives:

1. *To bring about economies in purchasing farm supplies.*—This objective is realized by developing more efficient practices and reducing costs of operation, returning net savings or margins above operating costs to patrons, and keeping quality and service in line with prices charged for supplies.

2. *To provide supplies of a quality that will produce the greatest returns for the farmer user.*—Cooperatives act

as the purchasing department or agency for many farmers' production plants. One of their most important responsibilities is to obtain supplies that will best serve the user. Quality cannot be sacrificed in order to make the greatest possible net savings and patronage refunds for their farmer members.

3. *To provide dependable service adapted to the farmers' needs.*—Another aim of supply cooperatives is to aid the farmer in his farming operations by providing services tailored to his needs. They try to give farmers improved or new service when and where they want it.

Cooperatives Purchasing Grows ²⁶

COOPERATIVE purchasing of supplies by farmers began early in the

history of this Nation. A few farmers in a neighborhood—often members of the same church, lodge, or club—would buy together a carload of seed, salt, twine, flour, feed, or fertilizer.

²⁶ See section of this bulletin on pages 10 to 24 for other details on early history.

Earliest efforts in organized cooperative purchasing occurred about 1850 in farmer clubs in Illinois and Wisconsin. One of the first farm supply associations organized in 1863 at Riverhead, N. Y., to buy fertilizer at wholesale. It soon learned to avoid pitfalls of extending credit because its buying agent—a sea captain—had to have gold in order to purchase the fertilizer.

Grange Contributes to Growth

For about 10 years after the Civil War, a surge of cooperative buying developed through local and State Granges. Purchasing agents were established who assembled orders and placed them with dealers who shipped direct to farmer members at special prices.

The most important contribution of the Grange to cooperative purchasing, however, was said to be its policy of recommending that cooperatives be formed according to Rochdale principles. After 1875 numerous Grange farm supply and general warehouse stores were organized throughout the country. However, many lasted only a few years.

Between 1880 and 1890, many business agencies and exchanges similar to those of the Grange were organized by another farm organization—the Farmers Alliance. But with all this interest in cooperative purchasing less than 100 separate farm supply cooperatives were in operation in 1900. A number of marketing associations also handled a limited amount of supplies.

Other Farm Groups Stimulate

The next nationwide stimulus to cooperative purchasing of farm supplies came from the Farmers Union, organized in 1902. At first business agents for local, county, and State Farmers Unions made purchases for members. Mail order systems also were used. These were followed by the organization of farm supply coop-

eratives along the modern pattern. Also many Farmers Union grain marketing cooperatives in the Wheat Belt and in Wisconsin, Minnesota, and Iowa added supply services.

The American Society of Equity, also formed in 1902, sponsored cooperative purchasing as well as marketing.

During the period from 1901 to 1920 approximately 2,250 farm supply cooperatives organized and 350 discontinued operation. Over half of these formed in the 1916–20 period. The number of active supply cooperatives reached a peak of about 2,000 in 1922.²⁷

Several regional farm supply cooperatives formed during this period are still operating. Examples include the Fruit Growers Supply Co., Los Angeles, organized in 1907, to provide containers and packaging materials for citrus growers in California; Farmers Union State Exchange, Omaha, Nebr. (1914), to serve both farmers and local cooperatives; Central Cooperative Wholesale, Superior, Wis. (1917), to serve local cooperative stores in the Northern Wisconsin and Minnesota areas; Eastern States Farmers Exchange, West Springfield, Mass. (1918), to serve farmers through branch warehouses and a car-door distribution system; and the Cooperative G. L. F. Exchange, Ithaca, N. Y. (1920), which employs private agents as well as local service cooperatives as distribution outlets. Seven smaller regionals still operating in 1955 formed during this period.

One of the factors encouraging the rapid development of cooperative buying of supplies was the success experienced in making savings from the wide margins existing at that time. World War I also stimulated food production and use of farm supplies.

The deflation following World War

²⁷ Only about 1,000 supply cooperatives, however, were reporting to the U. S. Department of Agriculture and listed in its records as operating in 1922.

I caused the failure of a number of general supply cooperatives which had overexpanded. As a result the number of active supply cooperatives declined slightly until 1928. This was offset to some extent, however, by a number of marketing associations adding supply services. The adverse economic conditions facing farmers during the 1920's coupled with the growing trend toward mechanized and commercialized agriculture started farm supply cooperatives on the increase again around 1928.

The development of another general farm organization, the Farm Bureau, also provided stimulus to cooperative purchasing in the 1920's. County and State Farm Bureaus first served their members by using an agent system in purchasing carloads of supplies. In other cases they bargained with local dealers for price concessions or discounts for their members.

It was not long, however, until numerous county Farm Bureau cooperatives were being organized and they in turn formed State wholesale supply associations. These were most active in the central area and in the South. The Mississippi Farm Bureau began purchasing fertilizer for its members in 1921, Indiana followed in 1922, and Ohio the following year. Within a few years all three had organized separate State wholesale associations. Similar ones were formed in Illinois in 1927 and in Michigan in 1929.

Petroleum products were one of the newer items these cooperatives began to handle in quantity along with a broad line of other production supplies and equipment. The State Farm Bureau cooperatives were among the first to form area federations for purchasing and manufacturing supplies. One of these developed into the United Cooperatives, Inc., Alliance, Ohio, whose service is national in scope. At least eight other regional supply cooperatives were formed in the 1920's.

A total of 1,454 predominantly farm supply cooperatives were listed as active by the U. S. Department of Agri-



First office and warehouse of United Cooperative Farmers, Inc., Fitchburg, Mass.—started by Finnish immigrants in 1928.

culture for the 1929–30 crop year. They had 479,000 members and a volume of about \$190 million.

Farmers in the East organized cooperatives in the period from 1910 to 1930 mainly to purchase feed, seed, and fertilizer. Those in the South specialized in fertilizer and seed. In the Midwest, farmers formed many separate petroleum associations or they had petroleum services added by their grain marketing cooperatives. In the Far West poultry marketing associations began providing members with feed and poultry equipment. Fruit and vegetable cooperatives handled fertilizers, insecticides, containers, and other orchard and packing supplies.

Numerous supply cooperatives were formed independently of general farm organizations during this period. An example was Eastern States Farmers Exchange. Most of these, however, had the support of farm organizations.

A few regional cooperatives resulted from mergers of two or more associations. The largest supply cooperative in operation—Cooperative G. L. F. Exchange, Inc.—resulted from merging the supply departments of the Grange, Dairymen's League Cooperative Association, New York City, and the Farm Bureau in New York State. Many independent farm supply, gen-

eral store, and petroleum cooperatives also were formed in Minnesota, Wisconsin, and various Midwestern States. In 1926 local cooperatives formed the first petroleum wholesale cooperative now known as Midland Cooperatives, Inc., Minneapolis, Minn. The Consumers Cooperative Association, Kansas City, Mo., organized 3 years later.

Increase Steadily After 1930's

Farm supply cooperatives continued to increase in the 1930's, and as their services were recognized there was a steady increase in their memberships and volume. Economic conditions encouraged farmers to look to cooperatives to keep down their costs. By 1939-40 farm supply cooperatives numbered 2,650 with 900,000 members and about \$360 million of business.

Some of the regionals formed during the 1930's were Farmers Union Central Exchange, St. Paul, Minn. (1931); Pacific Supply Cooperative, Walla Walla, Wash. (1933); Pennsylvania Farm Bureau Cooperative Association, Harrisburg (1934); Farmers Cooperative Exchange, Raleigh, N. C. (1934); and National Cooperatives, Inc., Albert Lea, Minn. (1933). Also, 17 of the regional cooperatives doing less than \$5 million of business each in 1955 formed during this 10-year period.

World War II and postwar conditions stimulated the organization of additional supply cooperatives during the 1940's. Some of these were established to manufacture supplies and give farmers more dependable sources. The shortage of supplies existing at times during this period caused a rapid increase in memberships and in volume of cooperative purchasing.

Some of the regional wholesale associations formed to handle feed and other supplies organized in Missouri, Arkansas, and Tennessee. Also the National Cooperative Refinery Association organized and purchased an existing plant at McPherson, Kans., in

1943. Associated Cooperatives, Sheffield, Ala., formed the same year to purchase fertilizers for local and regional cooperatives. Select Seeds, Inc., Ft. Wayne, Ind., was set up by regional cooperatives in 1947.

Mississippi cotton growers invested some \$4 million in the Mississippi Chemical Corp., and built the first farmer-owned nitrogen plant at Yazoo City in 1948. During the period from 1941 through 1950, another 15 small regional wholesale cooperatives formed. Many were set up to manufacture 1 or 2 farm supply items.

By 1949-50 there were 3,113 farm supply cooperatives with 2.5 million members and over \$1.6 billion of business.

In the 1950's supply cooperatives and their membership and volume have continued to increase. Manufacture of fertilizer and feed has made further gains and large amounts of money have been spent in modernizing petroleum refineries. Two groups of regional supply cooperatives, organized in 1946 and 1947, acquired leases on western phosphate deposits.

Add More Services

As farm supply cooperatives grew and became stronger financially their operations and services became more diversified. Rapid changes in agriculture have caused farmers to request their cooperatives to handle items other than feed, seed, and fertilizer. These include petroleum products, pesticides, veterinary supplies, and general farm and home equipment. Farmers also have looked to their cooperatives for related services such as feed mixing, seed cleaning, fertilizer spreading, and paint spraying. Some have requested that their supply cooperatives add marketing services.

Many wholesale cooperatives have become regional service associations in that they now provide auditing, bonding, insuring, financing, supervision, and membership information and educational services.

Another significant trend in cooperative purchasing has been vertical integration; that is, performing more of the functions in getting supplies from the raw material stage to the farm. Cooperatives have steadily engaged in more feed milling, seed processing, fertilizer manufacturing, and petroleum refining. A few have moved into producing raw materials such as crude oil, mining phosphate rock, and growing hybrid seed corn. Along with these trends have come the cooperative ownership and use of various transportation facilities.

Many cooperatives have modernized their plants and their local facilities.

Bulk delivery of feeds and fertilizers is one of the latest developments cooperatives are using to help get supplies to farmers at minimum costs.

The principle of cooperative buying has progressed from local cooperatives to regional cooperatives and in a few cases to area and national cooperatives. Most of this coordination has occurred by federating local and regional organizations on an area basis—often for only 1 or 2 supply items. Yet the farmer owner and patron is the basis of all these cooperatives. They are his purchasing agencies to provide supplies needed in producing food and fiber for the Nation.

Many Cooperatives Handle Supplies

ACCORDING to information gathered by the Farmer Cooperative Service, approximately 7,250 farmer cooperatives handled supplies in 1952-53. The gross value (combined local and regional) of goods handled was almost \$2.9 billion. After eliminating duplication arising from transactions between cooperatives the net value was \$2 billion (fig. 10). The largest volume was in the North Central States. Leading States in volume were New York, Minnesota, Iowa, Illinois, Ohio, and Pennsylvania.

Some 3,375 predominantly farm supply associations were operating in the United States in 1953. This number included both local and regional farm supply associations. Membership, including some duplication where individual farmers were members of more than one supply purchasing association, totaled over 3.1 million. Their total net volume of business was about \$1.5 billion. The net value of farm supplies handled by about 3,870 predominantly marketing and service associations accounted for the other \$0.5 billion.

The number of cooperatives han-

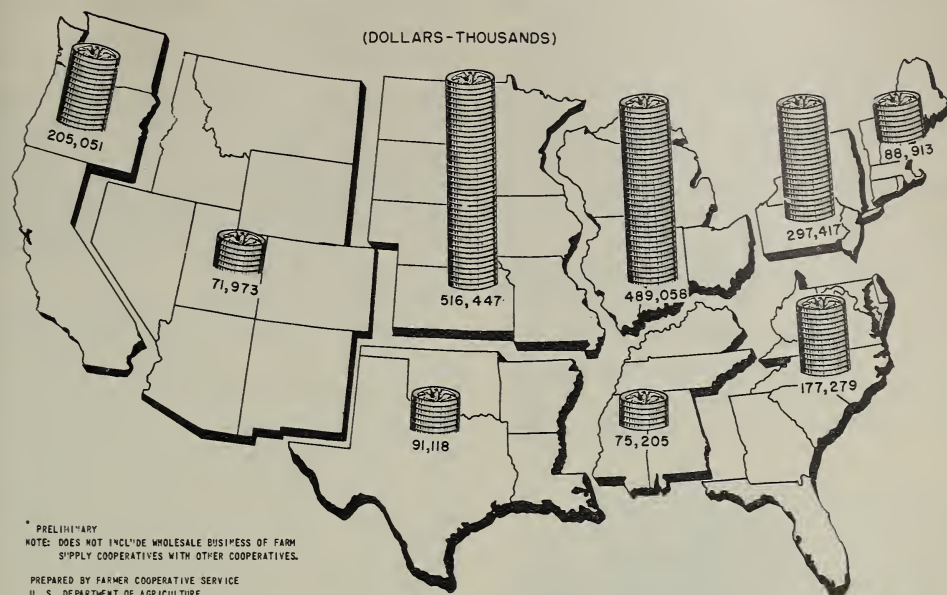
dling various supplies and the proportion of the \$2 billion of supplies and equipment cooperatives distributed to individual patrons during the 1952-53 crop year was as follows:

<i>Item</i>	<i>Percent total supplies</i>	<i>Number cooperatives handling</i>
Feed.....	42.1	4,238
Petroleum products.....	21.7	2,654
Fertilizer	10.7	3,392
Seed.....	5.0	3,371
Farm machinery and other equipment	3.7	1,791
Building materials.....	2.8	1,159
Meats and groceries.....	2.2	892
Pesticides.....	1.2	1,489
Containers.....	1.1	1,000
Miscellaneous supplies....	9.5	4,261

The miscellaneous items include coal, twine, automotive supplies, and items not reported in the other nine groupings.

In the period just before World War I farmers purchased less than 1 percent of their farm production supplies through cooperatives. There was a rather steady increase in this proportion until farmers were buying around one-sixth of their needs through cooperatives in 1954. The

Figure 10.—Estimated value of farm supplies purchased for patrons by geographic divisions, 1952–53.*



proportion varied as follows with commodities: Feed, 21 to 23 percent; petroleum, 16 to 18 percent; fertilizer, 16 to 18 percent; seed, 14 to 16 percent; machinery and equipment, 2 to 4 percent; and miscellaneous items, 8 to 10 percent. Progress over 40 years bears strong evidence to the success of farmers in working out their problems through cooperative action.

Locals

Local farm supply associations numbering 3,260 in 1952–53 rendered farm supply service in practically all parts of the United States. The greatest density, however, was in the North Central States. These locals plus 3,697 local marketing and service associations handling supplies had a total supply business of \$1.5 billion in 1952–53.

Farmer-members own, control, and patronize local associations in a trading community. In certain areas, however, some of the regional wholesale associations also render retail service through branch retail units. This is

true in the New England States where the Eastern States Farmers Exchange, West Springfield, Mass., has established branch warehouses at a large number of points. These serve as local retail outlets for Eastern States' farm supplies. They also supplement Eastern States' long established system of car-door distribution.

In the Far West poultry and egg marketing associations have likewise developed retail farm supply services at their local poultry and egg receiving stations. A few regionals also distribute supplies through local private



Modern warehouse of a local—Farmers Cooperative (A. A. L.), Port Gibson, Miss.

dealer-agents and farmer order takers or representatives.²⁸

Most local farm supply associations have seen an advantage in holding membership in regional wholesale co-operatives from which the locals obtain part or all of their supplies. Some local associations, however, are independent of any regional wholesale and obtain their supplies direct from general business firms.

In some of the States, especially Ohio, Indiana, Illinois, and Pennsylvania, the local cooperatives are of a countywide type; that is, they confine their activities to county lines. Hence their headquarters are usually at the

handle almost anything the farmer-member may need in his farming operations. Other associations handle only a single line of farm supplies, such as petroleum products or fertilizer. The trend among many local associations is to limit their lines to the basic production supply needs of farmers. Nevertheless, at the request of members many have added lines of home supplies such as household equipment or foods.

Some local supply associations have added the marketing of eggs, grain, and fruits and vegetables. Furthermore many local associations have developed other services. These include feed grinding and mixing, seed cleaning, repairing farm machinery, spray-painting, and lime and fertilizer spreading. Some potato and tobacco marketing associations have also included in their services fertilizer and farm machinery distribution. Over a period of years many local elevator associations have added a variety of sidelines, or farm supplies, such as petroleum products and hardware items.

Regionals

Over the years regional purchasing associations have expanded their operations and territories. They handle a large part of the farm supply requirements of their member cooperatives and serve most of the United States.

Records of the Farmer Cooperative Service indicate that in 1952-53 there were 116 regionals whose major business was farm supplies. These included associations performing a wholesale service for local cooperatives and large centralized associations serving farmers direct over an extended area, or both types of services.²⁹

²⁹ About 60 of the farm supply regionals and 145 of the marketing regionals serve farmers direct through branch stations, dealer agents, or other outlets. About 85 farm supply regionals and 45 marketing regionals provide a wholesale service to locals. Thus 42 of the supply regionals and 16 of the marketing regionals perform both wholesale and retail services.

²⁸ Estimates indicate that about 1,500 communities are served by private dealers; 500 communities are served by farmer card-door representatives; and 200 regional co-operatives serve farmers direct through stations or other outlets. Over 7,150 co-operatives, therefore, provide retail supply services to farmers through about 10,000 service outlets.



Tank truck servicemen delivering gasoline for Carroll Cooperative Association, Carrollton, Mo.

county seat. Many operate branch stations or warehouses. This countywide type of association grew out of the close relationship between the co-operatives and their sponsoring county farm bureaus. In some cases, membership in the county farm organization is a requirement for membership in the county cooperative.

Some local farm supply associations

These 116 regionals, plus 170 marketing regionals and one service regional with supply departments, handled supplies and equipment with a gross value of over \$1.4 billion and a net value, after adjusting for \$853 million of transactions with other cooperatives, of \$515 million.

Statistics for 25 of the largest of these regionals show that they distributed supplies through 8,626 retail outlets in 1953: ³⁰

Classified according to type, the number of these outlets was as follows:

Type of outlet	Number
Local cooperative member associations-----	5, 134
Local cooperative nonmember associations-----	797
Affiliated cooperative service associations-----	721
Private service agencies-----	1, 512
Farmer representatives-----	462
Total-----	8, 626

The local associations included in this classification are autonomous organizations. The member associations hold membership interests in the regional associations, whereas the non-member associations are patrons of the regionals but do not hold membership in them. Affiliated cooperative service associations are associations or branch

³⁰ ABRAHAMSEN, MARTIN A. and SCEARCE, JANE L. HANDBOOK ON MAJOR REGIONAL FARM SUPPLY COOPERATIVES 1952 AND 1953. U. S. Farmer Cooperative Service Gen. Rpt. 6. May 1954.

outlets under direct management of the regionals.

Private service agencies are private concerns that perform a distributing service for the regional cooperatives in accordance with mutually agreeable policies. Many of these are crossroad type general stores that handle part or the full line of the regional along with a large variety of commodities for general farm use. Their franchise includes provisions for passing on to farmers the patronage refunds distributed by the regionals. Farmer representatives are local farmers or others who assemble orders for carlots of supplies and supervise their distribution upon arrival.

The 25 regional cooperatives served an estimated 3.1 million farmer patrons and 225,000 nonfarmer patrons, or a total of 3.3 million in 1953. There is considerable duplication in these numbers because some individuals are patrons of more than one local outlet.

A breakdown of the combined business of the 25 regionals during their fiscal year ended in 1953 is given below:

Type of business	Volume
Supplies distributed at wholesale-----	\$746, 534, 755
Supplies distributed primarily at retail-----	370, 731, 361
Farm products marketed--	215, 140, 752

Twenty-two of the associations each handled a total volume of \$10 million



Headquarters and warehouse of Farmers Union Central Exchange, St. Paul, Minn., one of the 25 major regional farm supply cooperatives.

or more. Of these, 15 each reported \$25 million or more.

Some of the associations distribute supplies direct to individual patrons and thus perform both wholesale and retail functions. Thus some duplication exists in the wholesale and retail volumes listed.

Most of the regional associations are federations of local cooperatives. A few such as the Washington Cooperative Farmers Association, Seattle, and Eastern States Farmers Exchange, West Springfield, Mass., are of the centralized type and farmers hold membership in them directly. In between these extremes are a few associations of a federated-centralized type. They have both individual farmer members and member associations. Examples of this type are Southern States Cooperative, Inc., Richmond, Va., and the Farmers Union State Exchange, Omaha, Nebr.

Data also are available for 53 smaller regional supply cooperatives each handling less than \$5 million in 1950-51. They had a total volume of over \$110 million of supplies that year. They directly served nearly 2,000 member associations and 156,000 farmer members directly through branch outlets. It is estimated that about 400,000 farmers including the members of affiliated locals were provided supplies through these regional associations.³¹

Of these smaller regionals 30 engaged in wholesale operations only, 11 operated on a retail basis, and 12 carried on both wholesale and retail operations. Seventeen associations reported an annual volume of less than \$1 million, 21 had a business of between \$1 million and \$3 million, and 15 had a supply operation in excess of \$3 million.

These associations usually specialized in a few major types of farm sup-

plies—15 reported handling but 1 type, 13 distributed only 2 products, and 12 handled 3 types of supplies. Feed, fertilizer, petroleum products, containers, and seed made up 81 percent of the value of products handled. The first three items were the most important. They accounted for one-third, one-fourth, and one-tenth, respectively, of the total business reported.

Federations of Regionals

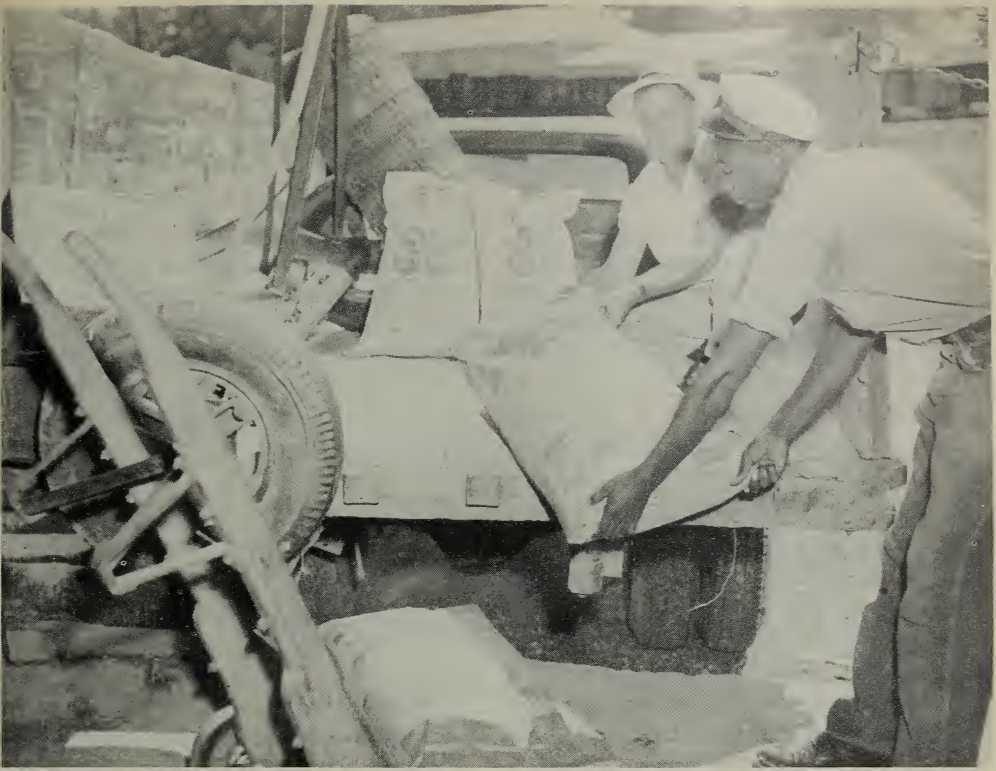
Regional farm supply wholesales frequently have gained advantages from pooling their resources for manufacturing operations. This has been the case particularly when individual regionals did not have sufficient volume to justify engaging in this business by themselves. Two national federations of 10 to 20 regionals have been formed. Ten others, with from 3 to 9 regionals in most cases, operate on an area basis.

National Cooperatives, Inc., Albert Lea, Minn., now has a membership of 25 regionals; 22 of these are primarily farm supply cooperatives and 3 are city consumer associations. Four of the groups are in Canada. National Cooperatives, Inc., makes master contracts for the purchase of foods, household appliances, automotive supplies, steel products, building supplies, and other items. It makes arrangements for much of this merchandise to be manufactured or packed according to the cooperatives' specifications under the "Co-op" label. It owns and operates a milking machine factory and a water heater factory.

United Cooperatives, Inc., Alliance, Ohio, has a membership of 18 regionals. Until recently its members were all in the eastern half of the United States. It owns one lubricating oil blending or compounding plant, a paint factory, and a barn equipment assembling plant. It also makes master contracts for building supplies, hardware, steel products, and farm and household appliances and equipment.

Various regional associations have

³¹ ABRAHAMSEN, MARTIN A., and GESSNER, ANNE L., OPERATIONS OF REGIONAL COOPERATIVES DOING LESS THAN \$5 MILLION SUPPLY BUSINESS 1950-51. U. S. Farm Credit Administration, Miscellaneous Report 171. April 1953.



Marketing cooperatives also handle many farm supplies such as motor oil, fencing and fertilizer.

formed other federations to improve service for farmers by operating feed mills, fertilizer plants, seed plants, oil refineries, wells, and pipelines. These federations purchase or manufacture certain commodities which, for one reason or another, their regional members do not buy directly or manufacture themselves.

Marketing Groups Enter Field

Over the years marketing cooperatives have greatly diversified their operations by handling supplies as a sideline activity. Members requested that these cooperatives purchase one or more of the main supplies used in producing a specific product, and such service usually helped round out volume where marketing was on a seasonal basis.

The most common supplies distributed have been petroleum products, feed, seed, and fertilizer by grain mar-

keting associations; feed by dairy and poultry marketing cooperatives; and containers, fertilizer, seed, and insecticides by cotton, fruit, and vegetable marketing organizations. The majority of marketing cooperatives handle varying amounts of miscellaneous farm equipment related to their farm products such as poultry or dairy equipment.

For many years there has been a tendency, also, for regional marketing cooperatives to purchase or manufacture certain farm supplies used in quantity by their members. Fertilizer, feed, and shipping containers are the principal ones handled.

For example, the Cotton Producers Association, Atlanta, Ga., operates three fertilizer plants to supply part of the requirements of its farmer-members. It also has an interest in a feed mill. Likewise, the Utah Poultry and Farmers Cooperative, Salt Lake City (primarily a cooperative egg and poul-

try marketing association), manufactures a large part of the feed requirements of its farmer-members.

These supply operations have saved members of marketing cooperatives large sums of money. They also have permitted the associations to carry on their marketing activities more efficiently. This has been accomplished through more complete use of personnel and through spreading the overhead over a larger volume of business.

Manufacture and Process

AS MENTIONED, cooperatives have gradually integrated their operations to improve savings and service for members. The earlier mentioned manufacture of feed and fertilizer, refining of petroleum products, and processing of seeds have come to be the major services rendered by many regional farm supply handling associations. A number now manufacture or process, either individually or in cooperation with other regionals, most of the requirements of their member associations. The savings from manufacturing have generally exceeded the savings from wholesale distribution in most farm supply operations.

Examples of regional farm supply associations manufacturing considerable quantities of supplies in 1955 are: (1) Southern States Cooperative, Inc., Richmond, Va., with 3 feed mills and an interest in 2 others, 3 fertilizer mixing plants, 2 seed cleaning and processing plants, and an interest with other regionals in several other cooperative enterprises; and (2) the Missouri Farmers Association, Columbia, which operates its cooperative activities on a different basis than most farmer organizations. Missouri Farmers has over 250 local exchanges whose members are also members of the State association. Different groups of these exchanges have set up and operate various M. F. A. manufacturing and processing cooperatives. In 1955 they owned 2 feed mills, a soybean oil mill,

Figures for 1952-53 indicate the diversification that exists in the types of business handled by farmer cooperatives. In that year almost three-fifths of all associations that marketed farm products as their major activity also handled farm supplies. Their net supply volume of \$500 million represented over 25 percent of the net value of all supplies handled by cooperatives. Also, one-half of the service cooperatives handled farm supplies.

3 fertilizer plants, an oil refinery, a seed plant, and a wholesale grocery warehouse.

Before 1933, cooperatives often were limited in their manufacturing activities by lack of capital. It was difficult for them to borrow money in amounts sufficient to finance the construction and operation of such enterprises.

In 1933, capital became available to eligible farmer cooperatives from the banks for cooperatives supervised by the Farm Credit Administration. Since then many cooperatives have been assisted in providing processing services for farmer members.

In more recent years farmers have made substantial direct investments in both their local and their regional associations. Also, many have converted patronage refunds into member capital for use by their cooperatives under revolving capital programs.

A few regional cooperatives have moved into the field of basic supply sources by producing some of their requirements. Some contract with growers to produce seed stocks under specifications. A few own poultry breeding farms or contract with growers to produce hatching eggs for broilers. Several regionals have acquired oil wells to insure a supply of crude oil for their refineries. Recently two federations of regionals acquired western deposits from which phosphate rock will be mined.

Some Market

AS MANY farm supply cooperatives have become successful in purchasing supplies, members have requested aid from them in marketing their farm products. These included grain, seeds, poultry and eggs, and livestock. Generally these services have been undertaken in areas where no other cooperative marketing services are available. As a result, some of the regional farm supply associations are now marketing certain commodities for members.

For example, Southern States Cooperative, Inc., now markets and proc-

esses eggs and grain. The Indiana Farm Bureau Cooperative Association, Indianapolis, and the Farm Bureau Cooperative Association, Columbus, Ohio, market grain for county member associations and their farmers. Cooperative G. L. F. Exchange, Inc., Ithaca, N. Y., markets eggs, poultry, beans, grain, hay, and fruits and vegetables at different points in its operating territory.

In 1952-53, 20 percent of all associations that handled farm supplies as their major activity also marketed one or more farm products.

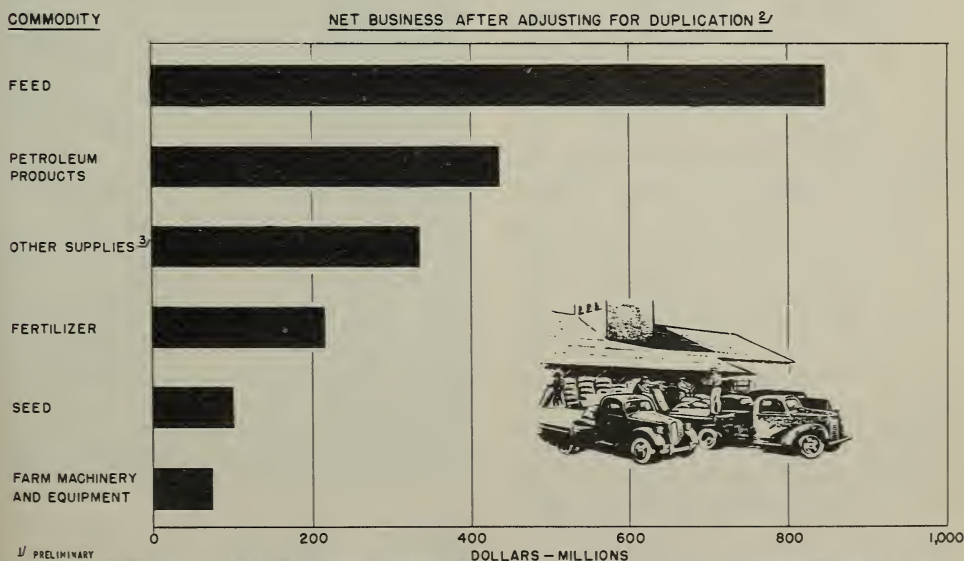
Supply Various Commodities

FARMERS buy many different kinds of supplies through their farm supply cooperatives. These include feed, petroleum products, fertilizer, seed, farm machinery and general farm equipment, and miscellaneous items (fig. 11).

Feed

More cooperatives, whether purchasing or marketing, handle feed than any other commodity. In 1952-53, from a total of 10,114 associations 4,238 reported feed as one of their

Figure 11.—Estimated value of major supplies purchased for patrons by farmer cooperatives, 1952-53.¹

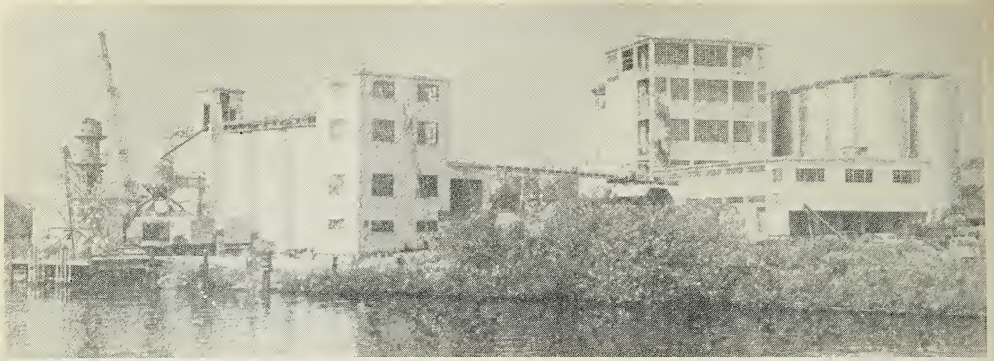


^{1/} PRELIMINARY

^{2/} DOES NOT INCLUDE WHOLESALE BUSINESS OF FARM SUPPLY COOPERATIVES WITH OTHER COOPERATIVES

^{3/} INCLUDES BUILDING MATERIALS, CONTAINERS, INSECTICIDES, PLANT EQUIPMENT, GROCERIES AND MEATS, AND MISCELLANEOUS SUPPLIES.

PREPARED BY FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE



New feed mill at Seaford, Del., on the Nanticoke River, owned and operated by Southern States Cooperative, Richmond, Va.

farm supply items. They did a gross feed business of over \$1.1 billion and after allowing for business done by 66 regional wholesale cooperatives with their local cooperatives, the net volume was \$848 million. States leading in cooperative purchases of feed by farmers were New York, California, Pennsylvania, Missouri, and New Jersey. Forty-two percent of the supplies farmers purchased through their cooperatives were prepared feeds for livestock and poultry.

The U. S. Department of Commerce ranks "prepared animal feeds" as the tenth largest of all industries in this country.³² Out of a total estimated production of 35 million tons in 1952, the cooperatives probably handled somewhere between 20 and 25 percent, or over 8 million tons.

The mixed feed industry had a sketchy beginning in the 1880's. Not until after the turn of the century did it begin to assume importance. Rapid growth then set in. As is usual with new and expanding industries many abuses developed. Formulas were jealously guarded, extravagant claims were made as to the virtues of the product, margins were wide, and quality uncertain.

During and following World War I, farmer cooperatives were formed which at first merely bought feed at

wholesale. The next step was to have feed mixed for them under contract. When this proved unsatisfactory it became evident that it would be necessary to control the operations. Cooperatives purchased feed mills and began producing feeds under the open formula or public formula idea promulgated by a member of Cornell University's staff. The Cooperative G. L. F. Exchange and its predecessor organizations and Eastern States Farmers Exchange went through this evolution.

In the Middle West, organizations sponsored by the Farm Bureau in Indiana, Ohio, Michigan, and Wisconsin formed the Farm Bureau Milling Co., Hammond, Ind., and had feed mixed under contract. When the Illinois Farm Supply Co., Chicago, started to handle feed, it also joined this milling company. A representative was maintained at the mill to check constantly on ingredient prices, quality, and mixing operations and to protect the interests of the Farm Bureau Milling Co. generally. Nevertheless member cooperatives finally decided that the only real answer was for the Farm Bureau Milling Co. to own and operate a mill.

The M. F. A. Milling Co., Springfield, Mo., formed by local exchanges of the Missouri Farmers Association, began mixing feed with scoop shovels in 1923. In 1929 it purchased a mill that soon had to be enlarged to keep up with the demand.

³² Concentration of Industry Report, Business Information Series, U. S. Department of Commerce, December 1949.

In the Far West, several poultry and egg marketing cooperatives and some dairy cooperatives decided in their early days that providing feed for their members would be a worthwhile service. Their original purpose was to combine sufficient volume so that they could ship eggs or poultry to the eastern markets advantageously. As population on the West Coast increased, the egg market changed from an export to an import basis. Many members then developed premium local markets for their eggs. Under these conditions several associations soon found that the dollar volume of their feed business far exceeded the volume of poultry and eggs. Most of them added other production supplies. Some that started out as marketing cooperatives became predominantly farm supply associations.

During World War II many cooperatives depending upon outside sources for their feed supply found quality deteriorating or had their contracts canceled. They were forced to provide their own milling facilities before they were really ready. Many mod-

ern mills were built, however, with the net result that cooperatives were in a much better position to serve farmers by supplying quality feed at reasonable prices.

The mill of Eastern States Farmers Exchange at Buffalo, N. Y., is recognized as the largest single feed milling unit in the world. This mill turns out around 800,000 tons of feed a year. It is supplemented by a similar mill at Huron, Ohio. Cooperatives own several of the other larger and more modern feed mills in the United States. Cooperatives are also well represented among the medium and small mills which provide efficient service to limited areas.

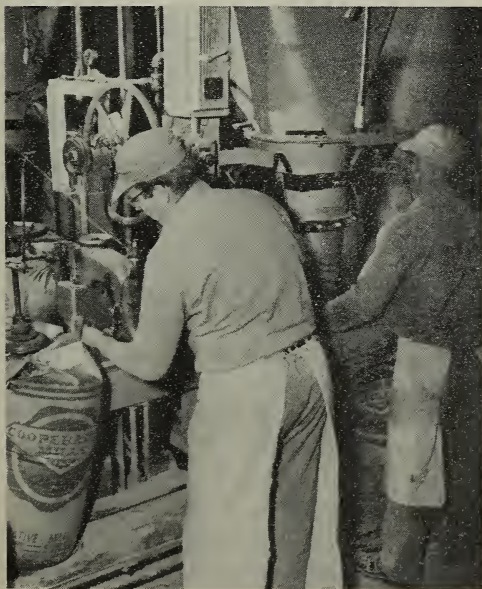
Twenty-four of the 25 major regional purchasing cooperatives handled \$451 million worth of feed on a wholesale basis in 1953. Nearly all this volume was manufactured in the regionals' own mills. This represented 48.5 percent of the total business of these associations.

The science of animal nutrition has made great advances in recent years. Cooperatives have kept in close touch with research findings and have endeavored to provide their members with the best feeds possible. Proof that their service has been recognized by farmers lies in the record these organizations have made in the feed industry.

Petroleum Products

Petroleum products rank second in dollar volume of supplies handled by farmer cooperatives. During the 1952-53 marketing year 2,654 cooperatives handled approximately \$675 million worth of petroleum products. After allowing for business done by 47 regional cooperatives with other associations, the net volume was \$436 million. Leading States in cooperative purchases by farmers were Illinois, Minnesota, Iowa, Indiana, and Wisconsin.

With the shift to mechanized agriculture during the past quarter of a century, farmers found it to their ad-



Automatic controls in a modern cooperative feed mill dump feed onto 100-pound packing scales that weigh up to 6 bags a minute. A conveyor belt carries the bags to warehouse, truck, or rail car.

vantage to form cooperatives for purchasing petroleum products. The main objective was to effect savings and thus reduce production costs. Other objectives were to improve service, make quality more reliable, and provide more dependable sources of supplies.

Farmers first organized local petroleum cooperatives in Colorado, Minnesota, Kansas, and other Midwestern States as tractors began to come into extensive use in the early 1920's. By 1953 approximately 2,250 local associations were delivering liquid fuels to farms. They had more than 2,700 bulk plants and employed 5,700 tank-truck servicemen. They operated about 2,000 service stations, most of which were located in small rural towns. Approximately 50 associations also distributed liquefied petroleum gas by tank truck. With the increased use of fuel oil for home heating in recent years, many cooperatives have expanded operations to include this service for members.

During 1950 these cooperatives supplied a million farms with about 1.4 billion gallons of fuels. This represented approximately 16 percent of the total petroleum liquid fuels used on farms in the United States and 20 percent of the fuel used by farmers in the areas where the cooperatives operated. This volume, however, was equal to only a little over 2 percent of the total domestic consumption of refined fuels in the United States.

Part of the cooperatives handling petroleum products are separate petroleum associations. Some are general supply cooperatives with petroleum departments, and many are marketing cooperatives with petroleum departments. In practically all cases the local cooperatives own the bulk plant or station facilities. About half the associations own the delivery trucks and employ servicemen on a salary or a salary plus a commission or bonus. The other half own only the tanks for the trucks and employ on a commission

basis servicemen who own their truck chassis.

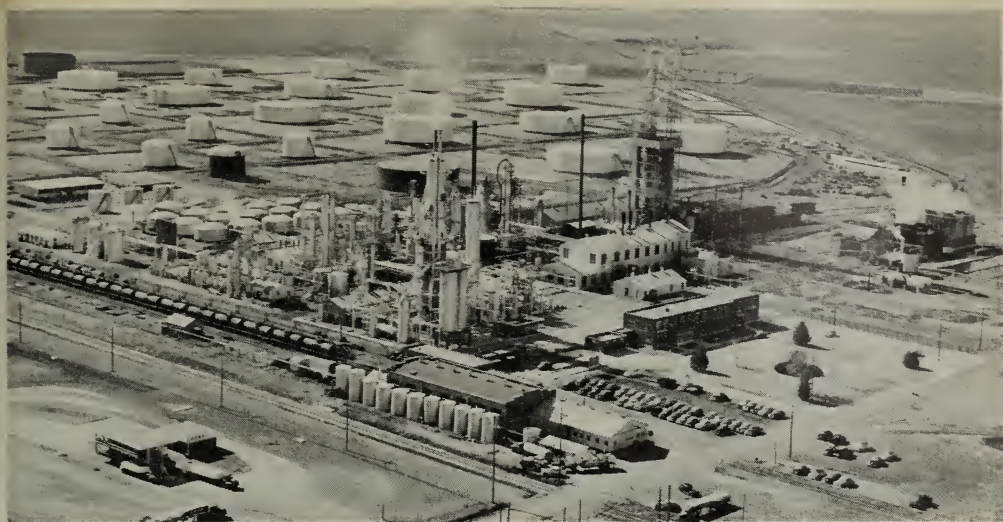
The general practice of cooperatives is to sell petroleum products at normal or going prices in their communities. They then declare patronage refunds from net savings or proceeds at the end of the year.

Local cooperatives soon saw the need for pooling their purchases. In 1926 the first strictly petroleum regional wholesale cooperative began operating at Minneapolis, Minn. By 1953, 30 regional associations were performing wholesale services for approximately 90 percent of the local oil cooperatives in the country. Four of these also had some retail operations. To better serve their locals many have acquired highway motor transports. A few obtained storage terminals and lubricating oil blending or compounding plants. In 1953 cooperatives owned a total of 12 blending plants and 12 storage terminals in addition to those at their refineries.

These regional cooperatives began purchasing refined fuels from independent and major oil companies first on a brokerage basis and later on purchase-and-sale basis. In 1939 two regionals began building small refineries to effect savings for farmers and to better integrate operations. By 1953, 14 regionals owned a total of 20 plants with crude oil distillation capacity of about 150,000 barrels a day or less than 2 percent of the United States total.

Early in 1955, however, only 16 plants with a capacity of 175,000 barrels a day were in operation. Two small ones had been sold and two shut down. The regionals acquired refineries primarily to assure dependable supplies of fuel for farmers at reasonable prices in the periods of short supplies during and after World War II. In recent years all except the smaller refineries have been modernized by adding catalytic cracking equipment to improve their efficiency and the quality of fuel.

Shortly after cooperatives acquired



National Cooperative Refinery Association, McPherson, Kans., supplies fuels to Midwest farmers through 6 member-regional co-ops and their locals.

refineries, they found it necessary to produce crude oil in order to insure their supply. By 1953, 14 regionals owned about 1,500 oil wells. They also held under lease considerable acreages of productive and prospective oil lands. In 1950 their net production of crude was only about 15,000 barrels a day. This was equivalent to 14½ percent of the crude oil processed in their refineries. They also controlled or had first access to about an equal amount.

Because transportation is an important phase of petroleum operations, co-operatives soon began acquiring facilities for moving oil products. They acquired tank trucks for delivering fuel to farms and also highway transports for moving fuel from terminals to local bulk plants. Two purchased tow boats and barges for moving fuel from their refineries to water terminals. Those associations with refineries purchased crude oil gathering pipelines and two organizations owned pipelines for moving refined products from their refineries to their trade territories.

Over the years farmers have made substantial savings in their fuel and lubricant costs through these local and regional petroleum associations. Co-operatives have helped also to provide dependable sources of fuel, particularly during war periods when farmers

were meeting increased demands for food and fiber. Modern agriculture is highly mechanized and commercialized. The farmer is undertaking, through his cooperatives, to produce and refine petroleum products needed in his daily farming operations, just as he formerly produced the feed needed for his horse and mule power.

Fertilizer

Fertilizer manufacturing and distribution has become an important service that cooperatives perform for farmer members. Early efforts can be traced to occasional car-door distribution as early as World War I. Since that time the fertilizer phase of the farmers' production supply industry has grown until in 1952-53, it ranked third in the volume of supply items handled by cooperatives. Then a total of 3,392 associations reported a gross volume estimated at \$346 million. Fertilizer, together with lime, represented 10.6 percent of the total wholesale farm supply business of 25 major regional farm cooperatives in 1952-53.

After adjusting for duplications arising from the wholesale business of 63 regional cooperatives with member associations, the net volume of fertilizer distributed retail to farmers was \$216

million. Of this amount, over \$100 million represented the business of 1,813 local purchasing associations. The rest was accounted for by retail sales of regional cooperatives and sideline operations of a large number of marketing cooperatives, particularly those handling grain, cotton, and fruits and vegetables. Leading States in cooperative purchases by farmers were Illinois, Mississippi, Ohio, New York, and Indiana.

As of September 1, 1953, 62 cooperatives were operating 111 fertilizer mixing facilities. Eighteen of these also were manufacturing normal superphosphate. One nitrogen plant was in operation and expanding its facilities for increased production, while a second plant was in the process of construction. Additional facilities included a cooperative nitrphosphate plant, an ammonium phosphate plant, and a number of complete granulating plants. In addition two separate federations, Central Farmers Fertilizer Co., Chicago, and Western Fertilizer Association, Seattle, were developing phosphate deposits in Idaho on a mining-to-field basis.

Farmer cooperatives with plants shipped about 12 percent of all fertilizer mixtures and materials reported by manufacturers in 1951-52, the latest year for which such data were available. Considerable variation, however, existed in the proportion of fertilizer shipments in various groups of States. The Middle Atlantic States ranked first and accounted for approximately one-fourth of the cooperative fertilizer shipments. Western North

Central States were next, accounting for approximately 22 percent.

The proportion of total fertilizer shipments by cooperative plants in the North Central States was estimated at 16 percent in 1951-52. Distribution of States according to percent of shipments by cooperatives was as follows:

<i>Percent of shipments by cooperatives</i>	<i>Number of States</i>
Less than 1-----	10
1-9-----	10
10-19-----	14
20-29-----	10
30-39-----	4

Cooperatives have made and are making a number of important contributions to farmers in distributing fertilizer. As a general rule, these organizations have been in the forefront in formulating high-analysis fertilizer. Twelve freight rate increases since 1946 have contributed to an average increase of some 75 percent in fertilizer transportation costs. It is estimated that when in-and-out transportation costs are taken into account, such costs in 1953 averaged \$12 to \$15 a ton on most fertilizers. Under such circumstances the extent to which cooperatives have stepped up the number of units of plant food nutrients per ton is an important service that results in increased savings for farmers.

In the spring season of 1949 cooperatives in the East and the North Central States reported 28.5 units of plant food nutrients per ton. This contrasts with 25.2 units for other types of business organizations. Another recent development among cooperative fertilizer manufacturers is production of a complete granular fertilizer.

A number of unsettled problems were of concern to cooperatives actively engaged in the fertilizer industry in 1955. These included: (1) The number, size, and type of plants needed to serve farmers most effectively; (2) the merits and demerits of anhydrous ammonia and nitrogen solution for direct application; (3) the value of wetting agents and the most efficient and effective way to store products, and (4) how most effectively



Spreader trucks like this one help Cooperative G. L. F. Exchange, Ithaca, N. Y., save time and money for farmers in distributing lime and fertilizer.

to gear operations to the various agronomic, climatic, and geographic regions served.

These problems obviously call for increased emphasis on research if co-operatives are to serve farmer members most effectively.

Seed

A total of 3,371 cooperative associations purchased seed for their members in 1952-53. Over half of these are in States of the East North Central and West North Central divisions. There are a large number of cooperative grain elevators in these States and nearly all of them supply some seed to farmers. There is also a concentration of farm supply cooperatives in this area and most of them purchase seed for members.

In 1952-53 the gross seed business of cooperatives amounted to \$134 million. Eliminating duplication where seed was handled by 46 regional co-operatives for local associations, the value of seed purchased for farmers amounted to \$101 million. Seed ranked fourth among supplies in dollar volume and third in the number of co-operatives handling it. Leading States in cooperative seed purchases by farmers were Illinois, Missouri, Ohio, New York, and California.

Several associations at the wholesale level specialize in seed distribution but generally this product is handled along with other farm production supplies. Demand for seed is of course seasonal. Thus, seed lends itself to being part of a diversified operation rather than being the sole product handled.

Most of the wholesale and many of the local retail cooperatives clean, grade, blend, and treat seed. Others merely buy seed processed and packaged and ready for distribution.

The farmer's stake in seed quality is most important. The outturn of his crops will be greatly affected by the seed he plants. Yet there are few supplies in which quality is so difficult to judge from appearance. Many co-operatives early discarded the "seeds-



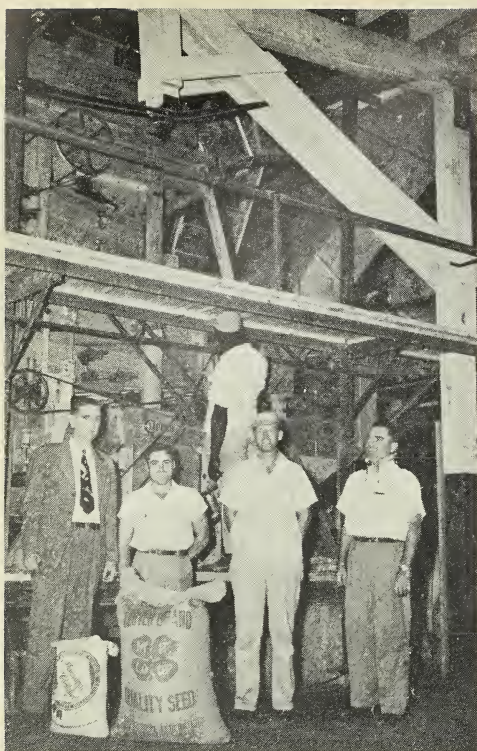
Around 12 percent of all fertilizer mixtures and materials used in the United States in 1951-52 came from farmer cooperative plants.

man's disclaimer" and stand squarely behind the seed they handle.

What is now Southern States Cooperative, Inc., started in 1923 as Virginia Seed Service, Inc. It organized for two reasons. Members of the Virginia Crop Improvement Association had worked hard to develop and produce superior strains of seed adapted to Virginia conditions and certified as to origin. Since these factors were not recognized by the seed trade at that time, producers were forced to organize their own marketing machinery.

Also, the Virginia Experiment Station had shown that farmers had difficulty establishing and maintaining good stands of clover and alfalfa because imported seed were not adapted to Virginia conditions and were susceptible to diseases that soon curbed the growth of the plants. There was no difference in the appearance of adapted and unadapted seed. Farmers were interested in knowing the origin and adaptability of seed. This was an added reason for them to form their own cooperative. Through operating such an agency they could be sure the seed they bought would flourish on their Virginia farms.

Carefully selected seed necessarily sold at premium prices. It took time to convince farmers that they could get dependable seed through their cooperative and that such seed would far more than repay the premium price.



Seed processing equipment, mounted on three-level platforms, at Canton plant of Mississippi Federated Cooperatives (A. A. L.), Jackson.

After a slow early start, however, the idea took hold.

Eastern States Farmers Exchange, West Springfield, Mass., buys field crop, grass, legume, and vegetable seeds for its members. It also grows or contracts for the production of some vegetable seed. It operates an extensive test farm to find the actual value-in-use of various varieties and strains under conditions existing in its territory. Then it advises members as to the weak and the strong points of recommended varieties and refuses to deal in those not worthy of recommendation.

In its seed potato program this association carefully tests varieties and strains for yield and other characteristics. Each year it sends samples from every lot of seed potatoes to Florida and grows them there during the winter. If tuber-born disease shows up, the seed testers take the lot from which

the sample came and dispose of it as table stock. Starting their crop from this disease-free seed stock has helped the farmers of New England to increase greatly their potato yields.

Farm Machinery and Equipment

During 1952-53, cooperatives to a total of 1,791 handled farm machinery and miscellaneous farm equipment with a gross value of about \$115 million. After eliminating business done by 39 regionals with other cooperatives, net volume remained at a little over \$74 million. Leading States in cooperative purchases by farmers were Ohio, Michigan, Indiana, Wisconsin, and Minnesota.

About 1,000 of these cooperatives handle tractors and farm machinery, but a number do not carry a full line and maintain a complete stock of repair parts and a service shop. Practically all of the 1,791 associations handle general farm equipment. Numerous others include it as "miscellaneous" or "other" supplies in their reports. Such equipment includes dairy, poultry, and barn equipment; water and irrigation systems; petroleum storage for farms; sprayers and dusters, and the like.

Farm machinery has been one of the most difficult items for farmer cooperatives to handle successfully. Local associations have the problems of trade-ins, reconditioning and selling used equipment, servicing and repairing, and financing or credit extension and collection. Too many have undertaken this service before they were adequately financed. Many have not set up separate departments with specialized personnel properly trained in this type of business.

Regional cooperatives have attempted to manufacture farm machinery since the 1930's. For many years, 13 regionals owned National Farm Machinery Cooperative, which operated a general farm implement factory at Bellevue, Ohio, and a corn picker and manure spreader plant at

Shelbyville, Ind. National Farm Machinery Cooperative also contracted with a Canadian firm to manufacture "co-op" tractors for several years.

Difficulties arose, however, in the need to modernize the plants, in raising adequate capital, in maintaining adequate volume from regionals and their locals, and finally in management weaknesses. The organization ceased operations in 1953 and disposed of the plants to the Canadian firm which had been manufacturing its tractors. Some of the regional wholesale cooperatives now obtain their equipment from this company, while others have discontinued wholesale services for machinery.

The Farmers Union Central Exchange, St. Paul, Minn., operated an assembly plant for a large "co-op" tractor for a few years. It discontinued operations, however, when machinery became readily available after the recent war periods.

Regional cooperatives obtain miscellaneous farm equipment from various sources. A number get some of their needs through United Cooperatives, Inc., Alliance, Ohio, and Na-

tional Cooperatives, Inc., Albert Lea, Minn. The former operates a barn equipment assembly plant and the latter owns a milking machine factory.

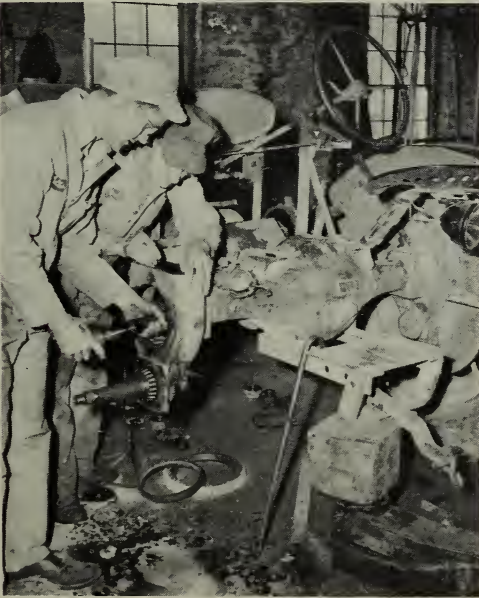
Other Supplies

In addition to the farm production supplies considered previously, cooperatives provide a long list of other items used by farmers. Some of these are in common usage but in small volume. Others may be used by few farmers in limited areas but volume handled by individual associations may be large.

Some cooperatives also handle certain supplies for general farm family use rather than for farm production. Included in their line of electrical equipment, for example, are kitchen ranges, home freezers, refrigerators, and other household appliances. A few handle furniture, dress goods and clothing, and in some areas a number have grocery and meat departments. In short, the supply business of the local cooperative is dictated by the desires of its members.

Building Materials.—Records of Farmer Cooperative Service include reports from 1,159 associations that handle building materials. In 1952-53 these had a gross value of \$84 million. After adjusting for duplications arising from business done between cooperatives, the net value amounted to \$55 million. This inter-association business of about \$29 million represented the value at manufacturing or wholesale levels of building materials purchased by 35 regional associations for other cooperatives.

Several regionals bought lumber mills in the period of shortages during World War II in order to obtain supplies needed by member cooperatives. Some of these have been sold as supplies became more readily available. Other than lumber, a large part of the building materials total is made up of sheet metal; aluminum and asbestos roofing and siding; fence, wire, and posts; and millwork.



A few of the many cooperatives handling tractors and farm machinery operate repair shops as this one of Wabash (Ind.) County Farm Bureau Cooperative Association.

A larger percentage of associations in the North Central States handle building material than in other parts of the country. Most cooperatives with regular lumber yards are in Iowa, Indiana, Ohio, and the Dakotas. Many grain elevators handle building materials as one of their principal sidelines.

Containers.—Containers, with a gross value of nearly \$50 million, were distributed by 1,000 associations in 1952-53. After deducting business done by 23 regionals with other cooperatives a net of only about \$21 million, or 40 percent of this total, was sold to producers. In most cases the local packing associations purchase and use these packing supplies. The largest volume handled by any association amounted to nearly \$16 million of box shook, paper wraps, and other packing supplies provided by the Fruit Growers Supply Co., Los Angeles, to its local member citrus fruit shipping organizations in California and Arizona. This supply company owns and operates three lumber and box shook manufacturing plants and several thousand acres of timberland.

Maine Potato Growers, Inc., Presque Isle, owns and operates the Maine Potato Bag Co. This plant manufactures both textile and paper bags to supply a large part of the needs of members. Other associations manufacture vari-

ous hampers, baskets, and crates required by their members.

Insecticides and Fungicides.—A total of 1,489 associations handled insecticides, fungicides, herbicides, and related products in 1952-53. These had a gross value of \$35 million and a net value of \$24 million. Thirty-eight regionals accounted for the interassociation volume. This business has increased rapidly in recent years with growing emphasis on insect and disease control and development of chemical weed sprays. With the discovery of new sprays and dusts much damage formerly considered as inevitable is now held under control.

Cooperatives have been vigilant in providing spray and dust materials best suited to the specific needs of producers and usually with substantial savings to them. Cooperatives own several dust blending plants. However, in nearly all cases they purchase the basic materials from others.

The bulk of this material reaches the farmer through farm supply cooperatives. Much is also provided by marketing associations, both as a service to members and as a method of assuring better quality in the fruits and vegetables they handle.

Meats, Groceries, and Related Items.—A total of 892 associations handled meats, groceries, and like commodities in 1952-53. These had a gross value of almost \$54 million. Associations with grocery stores are most prevalent in Wisconsin, Minnesota, and Missouri. Ten regional associations provided about \$9 million of this total to the local cooperatives, leaving a net of \$45 million. These net figures do not include the urban consumer cooperative food stores but only those operated by farmer cooperatives as such.

Two of the 10 regionals operate coffee roasting plants. Local cooperative food stores often are departments of some supply association. Operating generally in country towns, this business provides another cooperative service for farm families.



Supplies members want determine the business of most local cooperatives.



For many years Fruit Growers Supply Co., Los Angeles, Calif., has owned and operated this lumber and box shook manufacturing plant at Susanville, Calif., and two others for its member associations in California and Arizona.

Miscellaneous Supplies.—A total of 4,261 associations handled miscellaneous supplies in 1952–53. These included plant equipment, automotive supplies, general hardware, baby chicks and poult, serums, livestock medicines and remedies, electrical equipment and appliances, and a long list of other supplies purchased by farmers for farm production use or in the home. The gross value reported for these miscellaneous supplies was \$256 million and the net value \$190 million in 1952–53. Seventy-one regionals supplied other cooperatives with such items.

While farm supply cooperatives handle the bulk of this gross business, about \$200 million, many marketing associations handle a few supply items. Cooperative elevators often supply coal for their communities. Dairy cooperatives usually provide cleaning materials and other supplies used by dairy farmers.

Some cooperatives undoubtedly list building materials, insecticides, and other products considered separately in this report under “miscellaneous supplies” when reporting the value of these items.

Provide Other Services

MANY cooperatives find it expedient to provide certain services related to the supplies they handle for their members. Local associations often provide bulk delivery of feed, grinding and mixing of feed, field

spreading of fertilizer and lime, spraying or dusting of insecticides, spray painting, and similar services which have been mentioned earlier. Some also build fences, erect farm buildings, and install electrical wiring. In 1952–



Poultrymen's Cooperative Association of Southern California, Los Angeles, uses bulk delivery of feed for more efficient operations and service to members.

53, receipts of \$13 million from feed grinding and mixing were reported by 1,669 cooperatives.

Many associations handling farm machinery also provide repair services for such equipment. Those with service stations normally grease members' cars and trucks and repair tires. Receipts totaling \$1.4 million for repair-

ing machinery and miscellaneous equipment were reported by 308 cooperatives in 1952-53.

Regional cooperatives provide numerous services for local associations. These include auditing, insurance and bonds, organizational and educational assistance, trucking, and training for employees and directors.

Have Definite Policies and Practices

FARM supply cooperatives conduct daily business transactions similar to those of other business concerns. The principal differences in their policies and practices are: (1) Cooperatives purchase for their farmer-members the types and qualities of supplies farmers need to give them the greatest yield or use, while other concerns place more emphasis on profits for the business; (2) cooperatives return the savings from their operations to their members or patrons on the basis of patronage, while other concerns distribute their profits to the private

owner or partners, or to stockholders on the basis of ownership of stock; (3) cooperatives are financed largely by their member-users and often in proportion to their patronage, while other concerns are financed largely by their investor-stockholders who may not always live in the area; and (4) cooperatives are controlled by farmer members usually on the basis of one vote per member, while other concerns are controlled either by a private owner or partners, or by stockholders according to their stock ownership.

Purchasing Supplies

Most local cooperatives obtain the greater part or all their major supply items, such as feed, fertilizer, and petroleum products, from cooperative wholesale associations with which they are affiliated. Some locals, however, obtain a portion or all of their requirements from sources other than cooperatives. Miscellaneous supplies which may not be handled by all cooperative wholesalers are the items most frequently purchased on the outside.

The manager and board of directors determine the types of supplies to purchase. However, any proposed new lines usually are first discussed at membership meetings. Managers determine the amount of supplies to keep in stock. Wholesale cooperatives encourage local managers to order fertilizer and seed well before the seasons when they will be needed, also to take early delivery on fertilizer so that more space will be available at the mixing plants.

Regional cooperatives, either individually or cooperatively, manufacture much of the requirements of member locals. Such items, however, as steel products, tires, batteries, poultry and dairy equipment, and miscellaneous supplies are generally obtained through one of the two national federated supply cooperatives. These in turn contract with manufacturers for quantity purchases of supplies that meet certain specifications. A few regionals purchase part of their needs direct from manufacturers.

Pricing Supplies

Cooperatives generally price their supplies at prevailing market rates for items of comparable quality. This is considered good practice because it reduces the chances of friction between the cooperatives and other concerns in the same line of business. It also permits the cooperative to retain savings in the business to cushion the effects of price declines, price wars, and periods

of unprofitable operation. Under this method the savings are distributed periodically to the members or patrons, on a patronage basis, in the form of patronage refunds.

Cooperatives generally follow industry practices in their areas with respect to quantity or volume discounts and cash discounts.

Credit Policies

Doing business on a cash basis is, of course, the ideal method for cooperatives to follow. The majority of the farm supply cooperatives, however, operate on a limited credit basis. Under this method, credit is allowed up to a certain amount or extended for a certain period, after which no more credit is allowed until the account is paid. Practically all applicants for credit must be approved by the manager or by an officer or committee of the association.

Associations which have operated on other than a cash or restricted basis have generally found it expensive from the standpoint of bad-debt losses, collections costs, tying up working capital, management worries, and dissatisfaction among members.

Distribution Methods

Cooperatives distribute supplies in much the same way as other concerns in the same line of business. Many local cooperatives operate on a no-delivery basis; that is, the farmer patron is required to come to the warehouse to get his supplies. This saves delivery expense. However, for certain commodities, such as petroleum products, delivery service to the farm is customary. Also, in areas where delivery service is provided on other supplies by other concerns, the cooperatives render such service, or they may make a price allowance to compensate the farmer for hauling his own supplies.

In other cases, the cooperatives may set a flat price for supplies at the warehouse. If farmers desire delivery, they pay an extra charge to cover the cost.

Recently several cooperatives have started bulk delivery of feed to large users. Bulk delivery of fertilizer also is rapidly becoming an important service of cooperatives.

Wholesale cooperative supply associations and those manufacturing supplies usually follow customary practices in the areas they serve, or those customary for the various products they handle or manufacture. Some sell f. o. b. their own plant or warehouse while others sell on a delivered basis.

Many cooperatives use common merchandising methods such as displays, advertising, and volume building contests or campaigns in distributing their supplies. However, they generally do not spend as much on advertising and selling as other firms because of their membership and ownership relations. They devote more attention to educational activities pointing out that supplies have been purchased under specifications to fit the farmers' needs and that the farmers will receive the supplies, after final settlements or refunds, at cost. They also provide much information on the proper use of various supplies.

Patronage Refund Policies

Most farm supply cooperatives make a distribution of their net savings or margins at the end of their fiscal year. A few distribute them quarterly or semiannually. The general practice is to: (1) Pay a reasonable rate of dividend—4 or 5 percent on outstanding capital stock or other certificates of equity, especially if they represent direct investments by the members; (2) place 10 percent or more of the total net savings in a members' equity reserve account or in a general surplus account; and (3) declare the remainder of the net savings as patronage refunds on the purchases of each patron or member-patron.

Some cooperatives declare patronage refunds only to fully paid members or stockholders but many declare such refunds to all patrons or to all pro-

ducer-patrons. The proportion of patronage refunds that are currently paid in cash and capital stock or other forms of equities depends on the capital needs of the associations.

Most farm supply cooperatives declare one rate of patronage refund per dollar of total farm supply sales. Some declare different rates for different supplies depending on the extent to which operations are departmentalized and on the variations in net savings on different items.

Financing Methods

Many farm supply cooperatives obtain capital from members by the sale of common and preferred capital stock. Others sell certificates of membership, indebtedness, or equity. The cooperative usually pays a nominal rate of dividend or interest on such capital. Cooperatives may obtain additional funds by borrowing from the banks for cooperatives supervised by the Farm Credit Administration, from local banks, and from members or other individuals. They also obtain accommodation or operating credit on merchandise purchased from their suppliers. A few regional supply cooperatives have also sold debentures or borrowed funds from insurance companies.

Many farm supply cooperatives acquire needed capital by obtaining approval of members to retain part of the annual net savings in the business for financing or capital purposes. In such cases all or part of the patronage refunds declared from current net savings may be paid or distributed to members in capital stock or other forms of equity. Some of the net savings may be placed in a members' equity reserve or surplus account.

Many associations use the revolving capital plan of financing. Under this plan patronage refunds are retained in the business for one or more years until necessary capital is accumulated. Then refunds on each current year's

operation are still deferred or retained, but the cash is used to repay those first deferred or accruing to members. The refunds often are revolved in the order of their retention on a 3- to 7-year basis at the discretion of the board of directors. Equities under such a plan may be evidenced by certificates of capital stock, equity, indebtedness, or finance funds, or by book credits, allocated reserves, or

statements of deferred patronage refunds.

The revolving capital plan has these advantages: (1) It provides a convenient means by which each member contributes capital in proportion to the amount he uses the association, and (2) it tends to keep the ownership of the association in the hands of active members or patrons by calling in the oldest outstanding equities each year.

Benefit Farmers

FARMERS derive many benefits from the cooperative buying of their production supplies and equipment. The large number of producers obtaining an increasing volume of farm supplies through cooperatives attest to this fact.

It is difficult to exactly measure or evaluate benefits farmers have obtained from their farm supply cooperatives. This applies especially to the intangible benefits resulting from the coopera-

tives' effect on price levels or margins, service, quality, and business practices. Farmers generally believe these indirect benefits greatly exceed the tangible or direct benefits.

Some of the principal accomplishments of farm supply cooperatives in serving farmers follow. Savings and other benefits of course vary by years, by areas, and by types of supplies and equipment.

1. *Savings have been made which*



Cooperative feed mills pioneered in producing quality feeds. Cooperative G. L. F. Exchange, Ithaca, N. Y., owns and operates this one at Buffalo, N. Y.

lowered the cost of production supplies for farmer members.—Most retail supply cooperatives in the early years of operation realized substantial operating savings. For example, they often averaged 10 to 12 percent per dollar of petroleum products in the 1920–40 period. In recent years lower gross margins and higher expenses have reduced net savings to 3 to 5 percent on petroleum products and 2 to 4 percent on sales of feed, seed, fertilizer and general farm supplies.

Net savings on wholesale operations of regional cooperatives generally are not as great as in earlier years. However, those from manufacturing or processing usually have been substantial—often exceeding those from wholesale distribution. Reports of 20 major regional farm supply cooperatives showed their total net savings have averaged between 3.3 and 5 percent of sales during the last 3 years. These cooperatives do a considerable amount of manufacturing. Their net savings included dividends on capital stock and patronage refunds from federations of regionals in which the 20 regionals had membership.

When many local supply cooperatives were first formed they caused some reduction in the general level of retail prices and gross margins, thus benefiting all farmers in their communities. Some cooperatives had a salutary effect on business or trade practices in their area. Many cooperatives have continued to exert such influences throughout the years. In recent years, regional cooperatives in some cases have prevented general price increases in fertilizer or feeds in their areas by not advancing their billing prices.

Supply cooperatives with efficient operations thus have improved the buying power of farmers and reduced their costs of production supplies.

2. *High-quality supplies selected to give value-in-use have been provided for farmer members.*—An important accomplishment of farm supply cooperatives has been that of improving

the quality of feeds, seeds, and fertilizers. They have selected supplies which best met the farmers' needs. Cooperatives have pioneered in open formulas for mixed feeds and fertilizers. They have led the field in a number of areas in supplying farmers with high-analysis fertilizer. Including needed secondary and minor elements, laboratory control, and granulation are other ways in which cooperatives have provided members with outstanding values in purchased plant foods.

Cooperatives have been especially helpful in selecting seed of adapted variety, high in germination and viability, and free of disease and noxious weeds. They have worked closely with experiment stations, contracted with growers to produce seed with known heredity, and established processing facilities. Thus supply cooperatives have endeavored to procure seed which gave the greatest value-in-use to the farmer rather than the most operating savings for the cooperatives.

With the use of many ingredients in feeds, cooperatives now make available current formulas used rather than printing open formulas on the tag. They also have taken the lead in the reuse of feed bags and avoided pitfalls of financing the feeding operations of farmers. Cooperatives have made much use of college conference feed boards in developing formulas that will give the best results for farmers. They have provided feed that produced more meat, milk, or eggs at less cost to members.

In procuring general farm supplies and equipment, many cooperatives have emphasized selective buying. Through the use of laboratory tests, farmer advisory panels, market research surveys, and agricultural engineering departments of State experiment stations, cooperatives have determined specifications of supplies best suited to farmer needs.

3. *Services in obtaining and distributing supplies have been improved or added.*—Many supply cooperatives

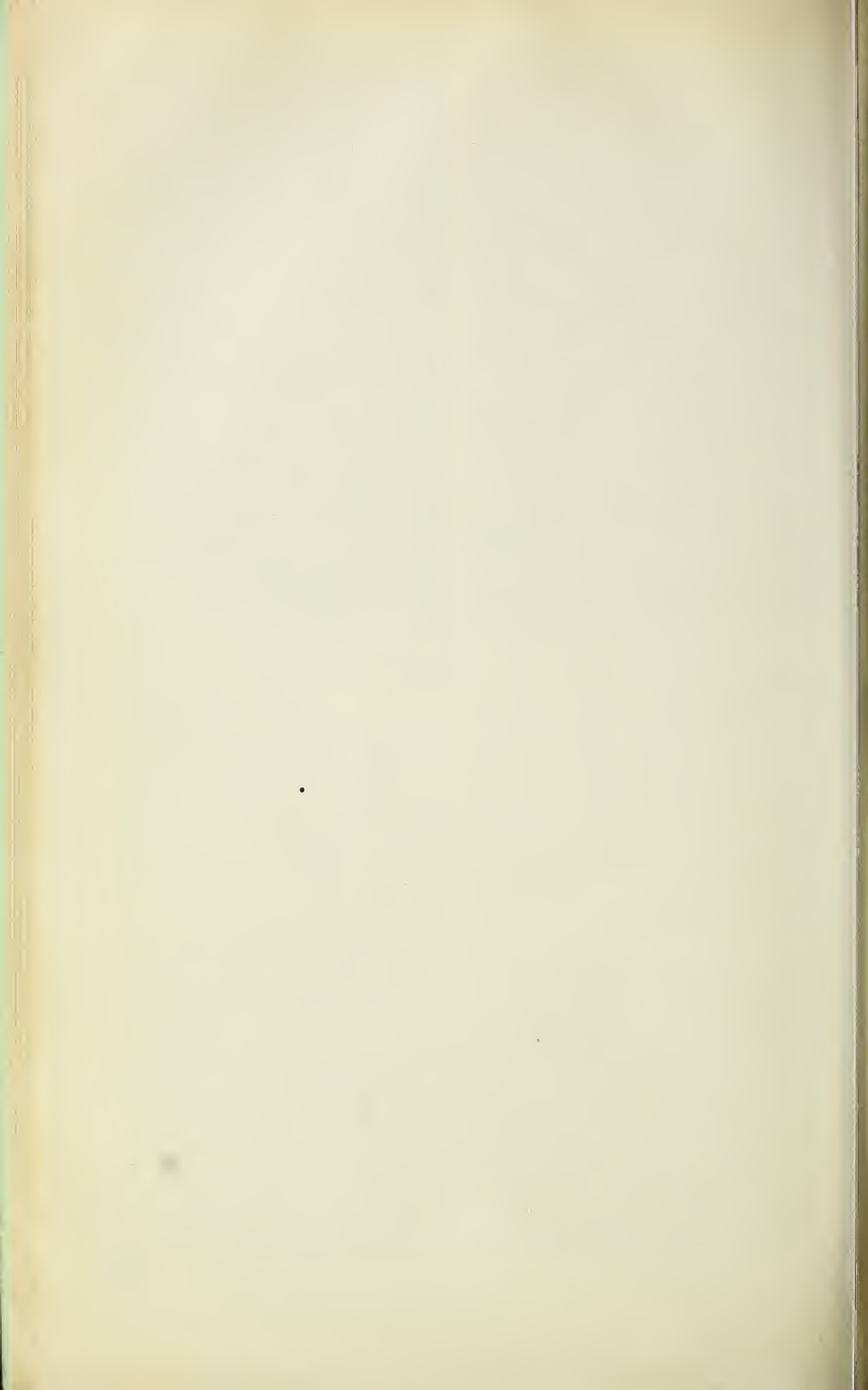
have been alert to meeting requests and needs of members for the types of supplies and services they want and when and where they want them. As already mentioned they have provided such services as feed grinding and mixing, lime and fertilizer spreading, bulk delivery of feed and fertilizer, pool car ordering and car-door deliveries, seed cleaning, spray painting, and machinery repairing.

Development of routes covered at regular intervals has enabled petroleum cooperatives to serve farmers in the East—small as well as large ones—on an efficient basis. Services to members rather than net savings to the cooperative have been emphasized. Farm supply cooperatives, however, have not attempted to exceed others in credit extension or free delivery.

One of the important services cooperatives provided to farmers during and after World War II was a dependable source of supply for such items as petroleum products, fertilizer and lum-

ber. The purchase or construction by regional cooperatives of refineries and fertilizer plants enabled many farmers to continue producing needed food and fiber for the Nation. A few cooperatives also acquired lumber and shingle mills and timber holdings for supplying growers or their fruit and vegetable packing associations. Cooperatives also have rendered valuable service to farmers in purchasing hay and other feeds during drought emergencies.

To summarize, farm supply cooperatives have generally benefited all farmers within their trading territories. Many have become pacesetters in providing farmers with high-quality supplies at reasonable costs. Their farmer ownership and the influence of their operations have been in the interest of agricultural producers—both members and nonmembers. Farm supply cooperatives have thus helped farmers in their communities, especially the small family-size operators, to do a better and more profitable job of farming.



Farmers Get Other Services Cooperatively

THIS PUBLICATION has discussed the marketing and farm supply cooperatives in some detail. It now turns to the other type—the many services farmers need in ad-

dition. Among these are frozen food locker plants, transportation, mutual insurance, irrigation, telephone, electricity, soil conservation, dairy herd improvement, and many others.

Frozen Food Locker Plants Broaden Services

by L. B. Mann

SINCE the establishment of the early cooperative frozen food locker plants in the 1920's in the Pacific Northwest, the locker industry has gone through what appear to be three rather well-defined periods of development.

The first period, extending into the early 1940's, was primarily one of locker storage with a limited amount of fresh meat processing, most of the food being prepared in the homes before it was placed in locker storage.

The second period, from 1945 to 1948, saw a rapid growth in locker storage facilities. Such processing services as slaughtering, curing, smoking, lard rendering, sausage manufacturing, and poultry dressing were expanded.

The third period, which began about 1949, saw a definite slowdown in the construction of new storage plants. At the same time there was a broadening of processing and merchandising activities. This was brought about by the need for servicing the rapidly increasing number of home-freezer owners, as well as a limited number of restaurants, hospitals, and other local institutions.

Numbers Decline

As was to be expected in such a rapidly expanding new industry, too many

plants, both cooperative and others, were built. Many of them were poorly located, inadequately financed, and incapably managed. As a result, the total number of locker plants declined from a peak of about 11,600 in 1951 to 10,553 at the end of 1954—a decrease of about 9 percent. Cooperative plants experienced a drop from 850 in 1948 to about 700 in 1954.

Over two-thirds of the cooperative locker plants are located in the Midwest with largest numbers in Minnesota and Illinois. About half the cooperative plants are affiliated with other business enterprises such as milk plants, farm supply cooperatives, and other miscellaneous business enterprises.

Services Increase

Modern locker plants, whether cooperatively or privately owned, perform a wide variety of services. The greatly expanded use of home freezers has provided the locker industry with a much broader base of patrons and customers. In order to attract this new type of business, plants are placing more emphasis on advertising and merchandising.

In addition to supplying custom processing and storage services, the

modern locker plant acts as a market mechanism for the sale of locally produced meats, poultry, fruits, and vegetables. These are offered in wholesale quantities at less than retail prices. Many plants also sell commercial frozen fruits, vegetables, and seafood produced outside the area. In other words, these plants are becoming community processing, freezing, storing, and merchandising centers.

In 1955 consumers controlled and used about 120 million cubic feet of zero storage space in home freezers or in locker plants. This space was capable of holding at one time over 3.5 billion pounds of perishable food. Such a development is changing buying and eating habits and exerting an important influence upon the marketing system. It enables the consumer to buy in quantity lots during periods of heavy supply and thus helps to stabilize market prices. Likewise, local processing and distribution of locally grown foods reduce transportation and distribution costs. This, in turn, narrows the spread between producers and consumers. Locker plants are admirably suited to perform such services.

While, in general, cooperatives have been slow to take advantage of these new opportunities, a number of them have made significant progress in both processing and merchandising fields. For example, a locker plant at Marion,

Ill., has developed into a small meat packing plant. In 1954, this plant processed and merchandised nearly half a million dollars worth of locally produced meat products. In addition to serving nearly 1,000 locker customers, this plant produces and sells several kinds of commercial type sausage, cured pork products, and fresh meats to retail stores, restaurants, institutions, and other locker plants within a radius of 50 to 60 miles from the plant.

Another cooperative plant, at Jacksonville, Ill., in addition to custom processing for more than 900 locker patrons, operates a retail meat counter in conjunction with the locker plant. This plant also sells meat and commercial frozen food in wholesale quantities to restaurants, schools, colleges, and hospitals, as well as to several hundred home freezer users. Nearly all meat sold is purchased in the form of live animals raised and fed by local farmers.

A cooperative plant at Culpeper, Va., dresses and eviscerates thousands of head of poultry for local farmers and hucksters who sell to consumers in the Washington metropolitan area.

A cooperative plant at Asheville, N. C., operated by the Farmers Federation Cooperative processes and sells several thousand country-cured hams each year to local townspeople and tourists.

The Central Carolina Farmers Exchange of Durham, N. C., furnishes an excellent illustration of a "multipurpose type" operation. This cooperative, in addition to its major farm supply business, operates a poultry dressing and freezing plant, a frozen food locker plant, an egg marketing service, a livestock auction, and a local slaughter plant. The locker plant, with its cooling, processing, freezing, and storage services performs an important link in this system of marketing locally produced products.

A number of Illinois cooperatives purchase tons of Michigan cherries,



Modern co-op locker plants are becoming centers for processing, freezing, storing, and merchandising meats, poultry, fruits, and vegetables. A good example is the Macoupin Locker Service, Carlinville, Ill.



Lockers process locally grown food for both farm and city patrons.

Oregon strawberries, and Wisconsin blueberries and cranberries each year and sell them to locker and home-freezer patrons.

A group of these Illinois cooperatives also follow the practice of pooling orders with other locker plants and by so doing are able to purchase commercial frozen food in truck and carload lots at substantial savings in cost. These same cooperative plants are also promoting sale of "King-Sized" or institutional-sized packages in quantity lots at substantial reductions under retail store prices.

A few cooperative plants are buying, grading, and merchandising eggs. They also buy, dress, freeze, and sell poultry.

Local multipurpose type marketing, processing, and merchandising centers offer an improved means of reducing costs of distribution. They narrow the price spread between producer and consumer, improve quality of locally produced food, upgrade diets, increase consumption of high-energy foods, reduce wastes and spoilage, and aid in development of a sounder and better balanced animal-type agriculture.

The increased population growth,

greatly expanded use of home freezers, and changed buying, storing, and eating habits all point to a greatly increased consumption of a wide variety of frozen foods.

Locker plants as processors, distributors, and merchandisers of locally produced as well as commercially frozen foods are well situated to benefit from this expanded market.

To cash in on these opportunities, however, calls for capable well-trained management, aggressive advertising and merchandising, well-informed buying, and efficient use of labor and equipment in processing operations.

If cooperative locker plants are to be successful in rendering such a local marketing service, and in meeting competition, they need to employ and pay for topnotch management. Additional working capital also will be needed to carry on necessary processing, storing, and merchandising activities.

The extent to which cooperatives benefit from this new and rapidly expanding food business depends upon their ability to improve and expand their services, to reduce operating costs, and to meet changing competitive conditions.

Transportation Facilities Vital

by Leonard N. Conyers

FARMER cooperatives furnish many types of transportation service to their members and patrons. These associations are primarily concerned in moving agricultural commodities to shipping point, local or central market, processing plant or storage warehouse, and in the return movement of farm production supplies.

The first successful cooperative terminal market sales agency was organized by Corn Belt stockmen in 1889. Its objective was to reduce marketing and transportation costs. Sales offices were established at the Chicago, St. Louis, Omaha, and Kansas City markets.

Following this, livestock shipping associations were established in many parts of the country. Through these, stockmen with less than carlots could join with neighbors and make up carloads. Animals shipped in this way could then be sold on terminal markets rather than to local buyers. A number of farm supply purchasing associations in different parts of the country were later organized. Such arrangements enabled farmers to purchase small quantities of fertilizer, feed, machinery and equipment on the basis of the carload freight rate, which materially reduced their total transportation costs.

Associations Form

The demonstrated advantages of livestock shipping and purchasing associations led to the evolution of the more recent cooperative transportation associations. These are usually of a federated type. They have met the need of those cooperatives which as individual associations probably would have insufficient volume to own or operate their own transportation equipment. By coordinating the transportation activities of several cooperatives, freight charges are lowered for each participating association.

Many of these transportation associations also perform a freight forwarder service; that is, assembly of small lot shipments into carload quantities. These can then move at the lower carload rates with resultant savings. In addition, members and patrons usually receive pickup and delivery services.

One of the largest cooperative transportation associations, Northern Cooperatives, Inc., is located at Wadena, Minn. Organized in 1933, its volume of business has increased steadily since that time. During 1953 it did a total volume of marketing, purchasing and transportation business of \$7.6 million for its 169 member agricultural cooperatives, compared with \$1.4 million for 1943, or an increase of about 5 times. It transports an average of 80 million pounds of dairy products and farm and creamery supplies annually. Net savings to members for 1953 amounted to about \$70,000.

The cooperative adds various services to these savings, whose value cannot readily be determined in dollars and cents. Members have realized additional returns from carlot buying of many types of supplies. They also have secured carload rail rates on commodities marketed.



Co-ops use all types of transportation. Farmers Cooperative Exchange, Inc., Raleigh, N. C., loads wheat from truck to barge at Wilmington, N. C., for shipping to Belgium.

The Farmers Union Federated Cooperative Shipping Association, Minot, N. Dak., transports livestock to markets at West Fargo, N. Dak., and South St. Paul, Minn. It also does return hauling of farm supplies for its members. The federation leases the stockyard facilities of a rail line for assembling livestock into truck or rail carloads. During bad weather and periods when no back-hauls are available, it makes shipments of livestock by rail.

Increase Use of Motortrucks

Motortruck transportation has furnished the farmer-producer with an elastic marketing facility. This enables him to choose the time, place and size of load to be transported with minimum restrictions. It has also widely decentralized marketing and has shifted established price registering market centers.

In an effort to reduce transportation costs, many of the larger cooperatives own and operate large fleets of trucks and other types of transportation equipment. In 1955 it was estimated that farmer cooperatives in the United States owned or leased over 30,000 trucks. Thousands of tons of agricultural commodities and farm supplies are hauled in this privately operated equipment annually. In many areas, it is not unusual for centralized and federated types of cooperatives to have fleets of more than 100 motortrucks.

Use All Types of Transport

Between 1945 and 1955 cooperatives made considerable use of coastwise and inland water transportation. Many associations transport fertilizer, grain, lumber, and petroleum supplies in this way. A group of cooperative wholesalers along the Atlantic seaboard operate their own tankers for transporting refined petroleum products from their southern Texas refineries to middle Atlantic and New England terminal storage points. Other associations have



Improved transportation equipment helps cooperatives reduce costs. Consumers Co-operative Association, Kansas City, Mo., hauls anhydrous ammonia from plant at Lawrence, Kans., in this newly developed transport.

acquired barge equipment for transporting grain, fertilizer, petroleum and lumber on the Illinois, Mississippi, and Columbia Rivers, and on intercoastal waterways.

A number of cooperatives operating petroleum refineries have acquired pipelines. They are used to move crude oil to refineries and refined petroleum products from refineries to bulk storage terminals. Other cooperatives own tank cars used for rail transportation of both crude oil and refined petroleum products. In many areas farmers are reducing transportation and handling costs in the bulk storage of petroleum products on farms. Improved types of highway equipment and storage facilities are being used to reduce the costs of distributing such supplies to farmers.

Some cooperatives use air transportation for shipping such agricultural products as livestock, baby chicks, fruits and vegetables, flowers, and plants.

A number of the larger dairy cooperatives have inaugurated programs to reduce transportation and handling costs through bulk transportation of milk in tank trucks from farms to processing plants and terminal markets. Bulk handling of feed and fertilizer from manufacturing plants direct to farmers also has reduced costs to the farmer.

Assemble and Distribute

Several cooperative canners in Oregon and Washington are members of Cango Shippers Association, Inc., Seattle, Wash., a consolidating and distributing cooperative. Its membership is made up of both cooperative and other firms.

This association was incorporated in 1948. It consolidates, assembles, forwards and distributes freight for its members, on a nonprofit basis. Thus the canners obtain the benefits of carload, truckload, or other large-volume rates. The association operates under an exemption in part IV of the Interstate Commerce Act on freight forwarders and is not required to file an application with the ICC for a permit to operate.

Each member of the association pays an annual fee. This entitles the member to use the services of the association for a few cents a hundred pounds over the regular carload rate on canned goods moving via rail, water, or truck. The carload rate plus the few cents handling charge results in appreciable savings to shippers over and above the regular less-than-carload rate ordinarily assessed on a small shipment. The association pools shipments and splits deliveries to the consignee in addition to giving the shipper benefit of reduced transportation costs.

It issues a weekly bulletin listing available shipments by weight and destination by rail, truck, and water. Shippers can then contribute tonnage for the various destinations in an amount sufficient to make up a full pool car, truck, or water load minimum.

Do Research

The traffic department of the Dairy-men's League Cooperative, Inc., New York City, sponsored the design and development of a one-piece plastic tank truck.

Its center of gravity is $3\frac{1}{2}$ inches lower than in standard trucks of similar

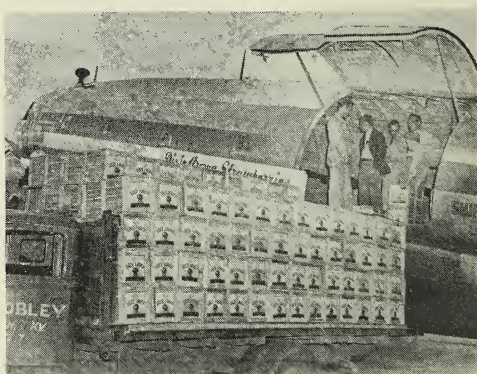
capacity. The extra-low center of gravity means greater stability in making turns. This is especially desirable in preventing a swaying motion of the tank when moving partial loads of milk.

The plastic tank is lighter than the older type steel tank and thus offers possibilities for weight saving to increase the payloads of milk. With maximum truck weights set by law in many States, any means of increasing the payload results in transportation savings on each gallon of milk handled.

A problem facing many cooperatives is choice of a location for expanding existing facilities or acquiring new facilities for manufacturing, processing, storage, or distribution. A major factor in choice of location is availability of adequate transportation at reasonable cost. The initial cost of a plant site may not be so important as the availability of long-range, low-cost transportation. The cooperative traffic manager is playing an increasingly important role in selecting plant locations for his association.

Establish Traffic Departments

Many cooperatives have found that establishing traffic departments pays substantial dividends in reduced transportation costs and added service to members and patrons. Those with in-



Fruit and vegetable cooperatives use air transportation to speed products to market in quality condition. McCracken County Growers Association, Paducah, Ky., loads vine-ripened strawberries for New York.

sufficient volume to justify hiring full-time traffic employees often join with other cooperatives to pool the services of a transportation specialist. In still other cases associations employ the services of a well-trained and experienced traffic consultant on a part-time basis.

In 1947 recognition of the growing importance of transportation to farmer cooperatives caused the National Council of Farmer Cooperatives to set up the National Agricultural Coopera-

tive Transportation Committee. The committee is organized on a national basis and subdivided into six regional groups. Its purpose is to promote the interest of farmers and their cooperatives in transportation matters. It does this by bringing together traffic representatives of interested organizations to exchange ideas on practical transportation problems encountered in daily operations and to analyze and discuss transportation problems of a regional or national scope.

Mutuals Protect Farms From Fire

by French M. Hyre

FARMER mutual fire insurance companies represent one of the oldest and most widespread forms of organized rural cooperation in America. As of 1955, some 1,700 farmer mutual fire insurance companies were scattered throughout the United States. They were operating in at least 40 of the 48 States. They had outstanding more than \$30 billion of insurance. This represented somewhat more than half of all the fire insurance carried on farm property.

As a group the farm mutuals have a record of successful operations. They provide farmers with sound insurance protection at a reasonable cost. They carry on fire prevention campaigns and encourage their members to eliminate dangerous fire hazards from their dwellings, barns, and other farm buildings. This is important in holding premium and assessment costs to a minimum.

At least half the existing mutuals have operated for more than half a century. Several have been in existence for more than 100 years. Thus, through periods of economic panic, prosperity, depression, war and peace, farm mutuals have provided their members with sound insurance protection. In a large and increasing

number farmers avail themselves of these services. About half of all the farmers in the United States were members of farm mutuals in 1955.

Began Early

The first farm fire mutuals in this country were organized while the Nation was still young and the pioneer spirit was a dominating influence. Cooperation then came naturally.

Since fire insurance was not available to those early settlers, it was only natural that neighbors should help each other in times of economic disaster caused by fire. The same neighbors who got together at a logrolling to help a man build his cabin would run to help form a bucket brigade if his house caught fire. When the fire was put out these same neighbors again shared their labor and materials with him to rebuild or repair his house. They also helped him get a new start by giving or lending him what household and farm equipment they could spare.

The first mutual insurance companies formed by farmers put such neighborly cooperation on a business basis. Instead of asking for voluntary contributions, the company levied a

definite assessment against the membership. The amount of insurance each member carried in the company determined the size of his assessment.

Quakers and other religious groups started some of the early fire mutuals. The Grange started others. Still others started simply because a group of farmers felt the need for insurance protection. Some undoubtedly sprang from the cooperative idea brought to this country by early immigrant groups, particularly the Scandinavian and the German.

Many of the early farmer mutual fire insurance companies organized under laws that provided for companies operating in areas defined in terms of townships or counties. In some States they are still spoken of as township or county mutuals. Many continue to operate in rather restricted areas, as 1 to 15 townships, or a single county. Within the area covered, these smaller companies often insure against fire nearly all of the insurable farm property.

Fire insurance was the first coverage offered by the farmer mutuals. Later some of them added windstorm insurance. Experience has shown, however, that windstorm coverage cannot be safely carried by the smaller companies which confine their business to a single county or a smaller area. Most mutual farm windstorm insurance is carried by companies operating in a whole State or a wider area.

The North Atlantic States, generally speaking, are well covered with farm mutual insurance companies. Some of the companies in this group are among the oldest in the country.

In New York and Pennsylvania, many farmer mutuals organized to serve relatively small areas. Township or county mutuals are common in these States. There has been a general tendency on the part of most of the mutuals to gradually expand their areas of operations. Some now serve 10 or more counties. Another trend in the Eastern States is to insure more and more nonfarm property. In

Massachusetts, for example, all the companies which began as farm mutuals now have more nonfarm business than farm business. In Pennsylvania, approximately one-fourth of the insurance carried by the farm mutuals is on nonfarm property.

From the Eastern States the idea of small local farmer mutual fire insurance companies spread to the Midwest. Many Midwestern States patterned their farm mutual insurance laws after those of New York which provided for township and county companies. Several of these State laws provided that 25 or more persons residing in any township of the State and owning a total of \$50,000 worth of farm property which they desired to insure might form themselves into mutual assessment insurance companies. This facilitated the organization of small farm companies and between 1870 and 1900 a large number of them sprang up all over the North Central States.

This form of rural cooperation succeeded remarkably well. In 1955 there were more than 100 farmer mutual fire insurance companies operating in each of 5 States—Illinois, Minnesota, Wisconsin, Iowa, and Missouri. Indiana had 68 and Michigan about 60. In many Midwestern States the farm mutuals write practically all the fire insurance carried by farmers.

In many Southern States farm mutual insurance companies have developed much less than in the Midwest and the North Atlantic States. In some cases this has been due to the lack of suitable laws under which local farm companies could organize and operate. Likewise, in many Western States development of farmer mutual insurance companies has been less extensive.

Policyholders Control

Ownership and control of farmer mutual insurance companies rest entirely with the policyholders. Every policyholder is a member of the organi-

zation, and as such is entitled to one vote in the election of directors. The directors ordinarily are farmers chosen from among the membership. They meet about once a month to discuss and pass on matters of a general policy nature.

The day-to-day operations usually are handled by the secretary. He receives applications for insurance and prepares the policies which are then mailed to the applicants. He keeps the records and sends out notices of assessments. He handles all general correspondence and arranges for loss adjustments in case of fire. In the larger companies this is a full-time job and the secretary maintains an office in a convenient town or village.

In some of the smaller companies there are no full-time jobs. Even the secretary is employed on a part-time basis. Frequently the secretary is a farmer and the company's office may be a room or perhaps only a desk space in his home. The relatively simple problems of conducting a fire insurance business within a small area can be handled adequately in this way, as many successful farmer companies testify. In the smaller companies, the directors frequently act as agents or fieldmen and write the applications.

Operating Practices Defined

Assessments.—The earliest of the farm mutuals started as simple assessment mutuals, levying after each fire an assessment sufficient to pay the loss.

In the early days when the companies were new and extremely small these practices often worked fairly well. But as the companies grew and the membership expanded, losses usually became more frequent. Collection of an assessment after each fire became somewhat of a nuisance. Many companies decided that it would be better to levy one assessment each year to cover all the necessary outlay. During the year they sometimes borrowed money as it was needed to pay current losses and expenses.



Some 1,700 farmers mutual fire insurance companies operate in this country. Insurance would not have kept this farm home from burning but it might have helped to rebuild it.

Some companies collect this assessment at the end of the year when they can determine the total amount of the losses and expenses. This is called the postloss assessment plan. Others estimate probable losses and expenses from past experience and collect assessments at the beginning of the year. This is called the advance assessment plan.

More and more companies are switching over to the advance assessment plan. This has considerable advantages. It provides the company with funds to pay losses as they occur from time to time. It eliminates the possibility of anyone's enjoying insurance protection for a year and then refusing to pay his assessment at the end of the period. Only a few companies operate on the postloss assessment plan. In actual practice most of them now collect enough in advance to pay probable losses and expenses for a year ahead.

Maximum Single Risk.—Insurance

companies usually limit the amount of insurance on a single risk; that is, a building or a group of buildings which might be destroyed by one fire. The house and the barn ordinarily are considered separate risks if there is as much as 100 feet of clear space between them. If there is less than 100 feet of clear space, they are usually considered one risk. However, some companies consider 50 feet of clear space sufficient.

The maximum amount of insurance any given company can safely carry on a single risk depends upon the size of the company, the amount of insurance in force, and the amount of reserves on hand. Some of the smaller companies limit the amount of insurance they will carry on a single risk to \$3,000 or less. More of the companies go up to \$5,000 or \$6,000. A few now have even higher maximums. This maximum means the amount they will carry on any one risk without reinsuring a part of it.

Reinsurance.—Many of the farm mutuals have made arrangements to reinsure a part of the larger risks with other companies. In some cases such reinsurance is obtained from other direct writing farm mutuals. In others, reinsurance is obtained through specialized reinsurance companies.

Some specialized farmer statewide reinsurance mutuals now are operating in the United States. Groups of local farmer mutual fire insurance companies formed most of them.

Through these statewide reinsurance mutuals, a local farmer company is able to reinsure a part of any risk which exceeds its established maximum single risk. Such an arrangement is of considerable help to local companies. For example, a dairy farmer may have buildings he wishes to insure for \$10,000 in a farm mutual. If a small county mutual undertook to carry unaided a \$10,000 risk, it would subject itself to a heavy loss in case of fire. With the proper type of reinsurance contract, the local company could accept the \$10,000 risk and then reinsure

a substantial part of it in another company. In this manner large risks can be divided between two or more companies.

Reinsurance is a means of carrying the insurance principle one step further. It insures the direct writing company just as the direct writing company insures the individual. It is a transaction that causes no inconvenience to the individual, since it is entirely an intercompany arrangement. In case of loss, the individual looks to his local company for settlement. The local company then collects from the reinsurance company.

Reserve Funds.—Along with the change in assessment plans has gone a change in practices with regard to building up reasonable reserves or surpluses, often called safety funds. The companies have found many advantages in maintaining such funds. The ability to pay losses promptly, even though they are unexpectedly large, is undoubtedly the most important advantage. Instead of making a policyholder wait until an assessment can be levied and collected or until money can be borrowed to pay his loss claim, the company can draw on its own funds. Thus it can make immediate payment as soon as the loss is adjusted. To a farmer anxious to repair or rebuild his property, immediate payment is most desirable.

The building up of safety funds also helps to avoid paying interest on borrowed money. Instead, the company usually has a small income from interest on money invested or held in the bank.

An accompanying reduction in mailing and collection costs grows out of normally making a single assessment each year. Only when losses are abnormally heavy should a company find it necessary to levy more than its regular annual assessment. Even though a company maintains a safety fund, it usually retains its right to levy an additional assessment if needed.

Factors Affecting Rates.—The assessment rates in farmer mutuals are

adjusted by each company to reflect its loss experience. The bylaws now in common use among farmer companies permit an annual assessment sufficient to pay losses and operating expenses and to make reasonable allowance for a reserve or safety fund. Costs in the various sections of the country reflect regional differences in property hazards and in operating methods of farm mutuals.

Some farmer mutuals vary their rate from year to year to reflect their current experience. Many, however, charge the same rate each year, keeping the right to levy additional assessments if needed. Ordinarily this is not necessary. Many companies have operated for years on an annual assessment of 50 cents or less per \$100 of insurance. They have built up sizable reserve funds as well as paying losses and expenses.

Charging a flat rate for risks of all types is most common, but there is an increasing tendency to vary the charges on buildings of different types according to degrees of hazard. The most common basis of distinction is the use of property—whether dwelling or barn. This distinction is based on the common belief that a barn involves a greater fire hazard than a dwelling. Spontaneous combustion from hay storage, using lanterns in the barn, smoking in the barn, accumulations of dust, and using gasoline engines are factors involved. A fire in a barn is likely to go unnoticed until it has developed to sizable proportions. In contrast, an incipient fire in the house is much more likely to be discovered and checked before it gets out of hand.

Use of fire-resistant roofing is another common basis of differences in rates, particularly for dwellings. Studies show that sparks on the roof are among the most frequent causes of dwelling fires. Fire-resistant roofing helps greatly in reducing the number of such fires and the amount of damage they cause.

Presence or absence of lightning rods is another basis frequently used in

setting up classes of farm property for rating purposes. In several Midwestern States, some of the companies organized to insure rodged property only. Or they divided all insured property into two classes, rodged and unrodged, and charged the rates on each type of property in proportion to losses.

Most farmer mutuals have relatively simple classification systems, if any. However, a few have set up quite complicated systems of charges and credits for various characteristics of property. These may include lightning rods, roofing material, type of chimney, wall material, exposure to other property, use of building, adequacy and availability of water supply, use of spark arresters on chimneys, and emergency fire protective measures such as fire buckets, hose, ladders, and fire extinguishers.

A simple classification system is normally adequate for a company operating in a small area where one type of farming is prevalent and nearly all farmers follow the same practices. Even charging the same rate for all property involves no great injustice, since all properties in the community have about the same fire hazards.

For companies operating in a wider area, where property varies considerably in use and in construction, there is more advantage in systematic classification of insured property. Charging a farmer for insurance in proportion to the hazard involved encourages him to improve his property to get a lower rate. Thus losses may be avoided to the common benefit of the farmer, the company, and the community.

Inspecting Property.—Farmer mutual insurance companies almost always make a thorough inspection of property before writing insurance. In some cases property is reinspected periodically or whenever considered necessary during the policy term.

Property inspection provides a basis for evaluating property for insurance and for judging its hazards in order to classify it properly. It also provides

a means for discovering and providing for elimination of needless and easily remedied fire hazards. Some companies refuse to insure property on which such a fire hazard exists until the hazard has been removed. If a policy has already been written on the property before the hazard is discovered, insurance may be suspended until the owner has made the necessary improvement.

The experience of many companies has proved that inspection pays dividends in reduced loss costs. Repairing a dangerous chimney, discovered through property inspection, may save loss of a dwelling. Inspections made periodically during the policy term or at least whenever insurance is renewed also help to keep insurance in proper proportion to value. A farmer may have torn down an insured outbuilding and neglected to report the fact to the insurance company. Meanwhile he pays assessments which cover that building along with the others, and the company invites possible complications in loss adjustment if a loss should occur. A farmer may also have built an addition to an existing building or may have built a new outbuilding. He needs fire insurance on such additions just as much as on his other property.

Farmers sometimes change the use to which a building is put. A building insured as a granary may later be used as a machine shop or shed. The increase in hazard may make the company unwilling to insure the building at all, or willing to insure it only at a special rate. The shift in use of the building may automatically suspend existing insurance.

General changes in property values as a result of changing economic conditions also make periodic inspections necessary to keep insurance values in proper relation to current property values. If insured values are too high in proportion to current property values, serious complications may arise.

Inspections are valuable as a means of educating the insured members of a company. A farmer may not actually



Fire destroys more than \$130 million worth of farm property each year in the United States.

know what constitutes a fire hazard. Even though he recognizes a fire hazard when it is brought to his attention, he may be unaware of the existence of a particular hazard on his property. If he accompanies the insurance company's inspector on an investigation of his own property, he may learn much about fire hazards and their elimination.

Other Fire Prevention Measures.—

Special circulars, small periodicals and placards sent out by farm mutuals constantly reiterate means of combating some of the common causes of fire, such as careless use of matches, careless smoking habits, and poor housekeeping. Many companies issue with their annual statements or at other times during the year helpful hints on how to prevent fire. For example, in the fall a company may advise its policyholders to check their chimneys and heating equipment to see that they are in order for winter use. It may advise them in the proper methods of ash disposal. Fall housecleaning is in order at the time in both house and barn; therefore the notice may carry suggestions as to cleaning up odd corners in basement, closets, and attic, as well as in the barn. It may discuss rubbish disposal as a means of fire prevention.

To supplement their regular inspection service, some of the farm mutuals issue self-inspection blanks to their policyholders. These contain questions about various hazards which exist around many farm buildings. Sometimes the company requests that these be filled in and returned. In other cases the company provides self-inspection blanks only for the use of the farmer as an aid in inspecting his own property.

The National Association of Farmers Mutual Insurance Companies has promoted a National Youth Safety Contest with prizes for the boy and the girl who turn in the best inspection reports and essays on fire prevention. Some of the State associations have cooperated with the National Association in this contest, providing State prizes for the best work offered in the State.

Each contestant must inspect several farm properties in addition to his own home and fill in a questionnaire applying to each. Some of the contestants have secured the cooperation of property owners in the removal of fire hazards. After completing the property inspections, the contestant must write an original essay on fire prevention. Such contests are beneficial for the future as well as the present, since they educate future farmowners to remove as many fire hazards as possible from property.

The efforts of some companies to get spark arresters installed on all insured properties have also brought good results. A few companies provide the spark arrester and its installation for a fee little more than the actual cost of the device. Others provide in a similar way for installation of approved lightning rods. Some companies make electrical inspections. Others provide approved fire extinguishers and some service the extinguishers annually.

Organize Local Firefighting

Some farmer mutuals have cooperated for many years with local organ-

ized groups to provide rural fire protection. A Maryland company reported 100 years ago a contribution made to two local firefighting organizations. Cooperation between fire insurance company and local firefighting groups has developed considerably. Some companies contribute a stipulated amount each year to one or more local fire departments. In return fire trucks serve the policyholders of the company or in some cases all farmers in the area. Other companies reimburse the local fire department for all runs made to policyholders of the company.

A few companies scattered over the country have purchased their own fire trucks. Some own several. The company usually arranges for storage of such trucks with local fire departments.

Investment in fire department service or actual ownership of fire trucks seems to have been profitable. There is no accurate measure of the exact amount saved in losses but every available report shows that annual losses decreased as soon as fire protection became available. As rural roads are further improved, the usefulness of organized rural fire protection will increase.

Have State and National Groups

State associations and the National Association of Mutual Insurance Companies are useful instruments in developing local farmer mutual insurance companies. These organizations have contributed much toward preventing unfriendly legislation and securing legislation that benefits local companies. They have also enabled local companies to get a wider view of the problems they have in common with other companies. Through annual meetings at which they discuss their problems and possible solutions, local associations are helped to keep abreast with current insurance developments.

Development of a recommended standard policy for farmer mutual insurance organizations is among the

most important contributions of the National Association. This policy has been widely adopted by local companies all over the country.

In several States, all local farm mutuals are active members of the State association. The secretaries of some State organizations keep in touch with their member companies throughout the year by means of circular letters. The annual meetings of the State associations are important exchange centers for ideas about solving farm mutual problems. The problem of reinsuring risks too large for a local company to carry along, for example, is one that has been threshed out in both State and National Association meetings. Several of the mutual reinsurance associations have developed at least partly as outgrowths of such discussions.

Save Money for Members

For the country as a whole, costs of farmer mutuals have averaged about half those charged by most other types of companies. Yet charges of farmer mutuals have been sufficient to carry the risk assumed, as their long record of successful service proves.

The low cost in farmer mutual insurance companies may be explained in several ways. Their nearness to the insured farmer is one explanation. When they write insurance on a piece of farm property, they write it knowing the property and knowing the farmer who owns it. Personal knowledge of the property as a result of living in the same community gives them an advantage impossible to a large company whose operations extend over a widespread area. There is no doubt that such personal knowledge of property and its owner reduces the possibility of insuring property involving either a physical or a moral hazard. A thorough inspection of property added to this personal acquaintance reduces still further the risk of loss on insured property.

Another explanation of low cost in farmer mutuals is their moderate operating expenses. A large company operating in extensive territory must maintain a home office and perhaps a number of branch offices with fieldmen and numerous agents. A farmer mutual with its only office in the home of a farmer or in a low-rent rural center often escapes much of the expense of office maintenance. Moreover, it does not need to pay high commissions to agents to induce them to seek new business. The man who writes the insurance for a farm mutual is likely to be an officer or director of the company, and his only compensation is a moderate fixed fee. Frequently the sole paid officer of the company is the secretary.

Show Many Accomplishments

Farmer mutual fire insurance companies write about \$30 billion of insurance annually through some 1,700 companies. Total annual costs have averaged about 25 cents per \$100 of insurance, of which approximately two-thirds has been used to pay losses.

There is no adequate measure, however, for the service performed by the farm mutuals. Their competition has undoubtedly kept the rates of other companies on farm property lower than they would have been otherwise. They have contributed much toward reducing losses through their fire prevention efforts. The fact that their loss costs have averaged relatively low is an indication of the effectiveness of their loss prevention program.

The typical farmer mutual fire insurance company still is one operating in a single county or in adjoining counties with \$10 million to \$20 million of insurance in force. Improved roads and transportation facilities have enlarged the area which can be served. As a result the trend seems to be toward expansion of territory and increase in volume of insurance. Whether the trend toward bigness in territory and

volume will go still further and whether it will result in a lower cost insurance still remain uncertain. So far the record seems to indicate that the

small local mutual furnishes farmers with efficient fire insurance service that a larger organization probably could not greatly improve upon.

Water for 8 Million Thirsty Acres

by French M. Hyre

COOPERATIVE or mutual irrigation companies supply water for about 30 percent of all the land irrigated in the United States. Irrigation districts supply water for about 20 percent; the Bureau of Reclamation, for about 8 percent; and commercial companies, about 5 percent. Individual farm irrigation systems pumping direct from streams, ponds or wells, supply the remainder.

The mutual or cooperative irrigation company is a voluntary association of persons producing farm products under irrigation. Its purpose is to obtain and distribute irrigation water at cost for use primarily on lands of its owner stockholders or members. Since irrigation water is supplied to the members at cost these associations reduce the cost of production and increase returns from farm operations.

The mutual company differs from the irrigation district in that membership is entirely voluntary. Any farmer in the area may come in or stay out as he chooses. Only those who come in contribute to the cost of maintenance and operation of the company, whereas in the irrigation district, every farmer must bear his share of building the irrigation works, whether or not he uses the water.

An irrigation district is a public or semigovernmental institution. It is formed as a result of a public statutory procedure initiated by landholders within a given area who want an irrigation district formed. An election is held. A majority can vote the minority in, provided the land of the latter will benefit from irrigation. Once the district is organized as a result of ma-

jority vote, every landholder in the area becomes liable for his pro rata share of the cost.

Mutuals Started Early

Cooperative irrigation in modern form and of the type now widely used throughout most of the West apparently had its beginning in Utah around 1850. The early pioneer Mormons who settled the Salt Lake Valley soon discovered that irrigation was necessary to their existence. Being in an area without capital and finding it beyond the power of an individual to turn the main streams from their courses and spread water upon the land, the early Utah settlers turned to the cooperative form of enterprise to provide themselves with necessary irrigation facilities. Several of these early mutual irrigation companies are still in existence, having supplied their members with irrigation water on a non-profit basis for about 100 years.

The Utah projects usually are regarded as the beginning of modern cooperative irrigation (sometimes referred to as Anglo-Saxon type of irrigation) in this country. An earlier form of community irrigation ditches with many cooperative features developed, however, at a much earlier date in the territory that is now New Mexico and Arizona. According to reliable history, the Spanish explorers, riding up the Rio Grande Valley and its tributaries, found the Pueblo Indians already growing crops under irrigation. The early Spanish settlers in this area adopted the Indians' irrigation practices with some variation and handed



Mutual companies own and operate more than 50,000 miles of irrigation ditches, canals, and pipelines.

down to the present generation an irrigation system of community ditches usually regarded as cooperative enterprises.

In California many of the mutual irrigation companies were organized to take over and operate irrigation systems originally constructed by land development companies. In the early days land development companies often found it necessary to install an irrigation system in order to sell the land. After the company sold the land it had little or no interest in the irrigation system. Frequently the company encouraged the new landowners to organize a mutual company to take over and operate the irrigation system. In some cases transfer of ownership to the new landowners was accomplished more or less automatically by transferring one share of stock with each acre of land sold. Thus when sales were completed, ownership of the irrigation system rested in the hands of the new landowners.

Not all California companies originated in this manner. Landowners organized some of them to obtain addi-

tional supplies of water when the original supply proved to be inadequate. They set up certain mutual companies to take over and operate irrigation districts that had to be reorganized and others to take over and operate irrigation systems originally developed under the Federal Reclamation Service. In all instances, however, the purpose of the mutual company has been to supply water to member landholders at cost.

Comprise Two Types

Mutual irrigation companies are both stock and nonstock organizations. Both types exist for the same purpose and perform the same general service. They differ principally in location, size, and methods of operation.

About two-thirds of the mutual irrigation companies are still unincorporated. Generally these are the smaller companies operating in situations where expensive facilities are not required. Even so there would be considerable advantage in these companies' becoming incorporated.

The incorporated company has authority to enter into contracts, borrow money, hold property, and transact business in the name of the corporation. It can do this in a way that limits the liability of its members as individuals.

In an unincorporated company a business transaction often can be blocked by a minority of the members and this slows down the activity of the company. Only when the group is small and members will work together can the unincorporated company operate satisfactorily.

In New Mexico and Arizona the "community acequia" is a semipublic institution with many cooperative features. It is public to the extent that all landholders in the area are required to help keep the irrigation ditches clean and in usable condition. Contributions in this regard are frequently in the form of donated labor rather than in cash.

Maintenance and operation of the system are in charge of a committee elected by those who use it. One-man, one-vote is the general rule. The system operates on a nonprofit basis and provides water to its members at reasonable cost.

This type of irrigation is best suited for use where expensive irrigation works are not required. It also fits an area where farms are small and the background and temperament of the people will permit them to work together informally in small community enterprises. This type of organization is not well suited for use in any area where extensive irrigation facilities are needed.

In California, Utah, and most other Western States where irrigation is practiced on a large scale, many of the irrigation companies are of the capital-stock type. The capital stock ordinarily serves two purposes. First it serves as a means of raising capital for building the necessary irrigation facilities such as dams, canals, and ditches. Second, the company uses the capital stock as a basis for allocating water and assessing operating costs. Thus a share of capital stock in a mutual irrigation company frequently represents not only an equity in the or-

ganization's assets, but also a right to receive a certain proportion of the irrigation water delivered by the company. In many instances the water rights that go with the share of stock is the thing that determines its market value and not the assets it represents.

In some companies the stock is attached to the land served by the company and cannot be sold except at the time the land itself is sold in which case the stock automatically goes with the farm.

Most of the stock companies are incorporated. This not only limits the liability of the members, but also aids the company in carrying on its operations in a businesslike manner.

Offer One Vital Service

The service performed by the mutual irrigation company is confined almost entirely to furnishing water for irrigation to the members on a nonprofit basis.

To bring irrigation water to member farmers, it is usually necessary for the irrigation company to construct, maintain, and operate certain facilities such as dams, canals, and ditches. In some areas the company uses pumping stations extensively to bring up subsurface water.

For the most part mutual irrigation companies do business only with members who use the water exclusively for growing agricultural crops on arid or semiarid land. Delivery of water to some nonmembers does not affect the mutual status of a company, however. In a few instances water is furnished to nonfarmers for household use and other purposes. When this is done in any substantial quantity, it is not uncommon for the irrigation company to form a separate subsidiary corporation to handle this part of the business. Otherwise the irrigation company can be declared a public utility and become subject to all the regulations applied to this type of business.

In addition to the task of obtaining water and bringing it to the area where



Forty-acre irrigated potato field. Mutual irrigation companies confine their service almost entirely to furnishing water for irrigation to members at cost.

it is needed for growing crops, the mutual irrigation company must devise a way to allocate the water equitably among members. Sometimes the company allocates water on an acreage basis. More frequently it allocates water on the basis of shares of stock owned. This makes it extremely important to have the stock distributed among members in proportion to their water needs.

Owned as Other Groups Are

Member-patrons of a mutual irrigation company own and operate it in much the same way as any other cooperative. Membership is voluntary, and legally a farmer may affiliate with or withdraw from the company at will.

Economically, however, his freedom of action may be much more restricted. If a farmer must have irrigation water in order to operate his farm successfully and the mutual company is the only source from which the water can be obtained, his legal right to withdraw at any time has little meaning. Ordinarily all farmers that require irrigation and live in the area served by the company are members.

Voting in a mutual irrigation company may be on the basis of one-man, one-vote or on the basis of stock. Most frequently it is on the basis of stock. However, this basis of voting in these companies does not carry the same significance as in most business corporations or even in cooperatives of other types. Since an irrigation company uses its stock as a basis for allocating water, it follows that the company distributes its stock among the farmers in proportion to their patronage. Thus voting on the basis of stock, in this case, means also voting on the basis of patronage.

Management of a mutual irrigation company is vested in a board of directors elected by members. The board makes rules and regulations for operating the irrigation system and distributing water to the users. It formulates administrative policies and hires employees to carry them out. Usually the president or the secretary of the board

Table 14.—Number of farmer mutual irrigation companies, farmers served, area irrigated, and investments, by States, 1950 ¹

State	Companies	Farmers served	Acres irrigated	Investment
Arizona.....	98	4, 610	308, 166	\$9, 994, 754
Arkansas.....	18	500	5, 757	.....
California.....	1, 270	26, 464	888, 226	67, 285, 657
Colorado.....	2, 265	27, 439	2, 212, 334	63, 517, 793
Florida.....	8	41	11, 829	84, 567
Idaho.....	996	18, 352	1, 256, 840	45, 528, 795
Kansas.....	11	265	45, 933	622, 082
Louisiana.....	51	238	17, 309	1, 153, 296
Montana.....	1, 152	7, 084	663, 164	15, 921, 390
Nebraska.....	27	630	49, 162	1, 158, 961
Nevada.....	137	1, 163	167, 161	4, 218, 607
New Mexico.....	565	8, 050	156, 891	5, 589, 490
Oregon.....	697	5, 032	336, 616	5, 594, 287
South Dakota.....	21	66	16, 326	275, 821
Texas.....	45	417	53, 091	3, 036, 055
Utah.....	1, 040	25, 651	974, 769	24, 504, 719
Washington.....	319	3, 546	94, 436	5, 489, 054
Wyoming.....	658	8, 332	516, 808	8, 474, 459
Total.....	9, 378	137, 880	7, 774, 818	262, 449, 787

¹ U. S. Bureau of the Census. Irrigation of Agricultural Lands. U. S. Census of Agriculture. Vol. 3. 1950. Washington, D. C.

is designated as manager of the company. This officer then has general supervision over all the activities of the company, including operation and maintenance, construction, financing, membership relations, and contacts with other organizations.

Show Accomplishments

The most recent statistical information pertaining to mutual irrigation systems is that collected by the Bureau of the Census. Data assembled in 1950 shows that 9,378 such companies were operating that year. Approximately one-third of these associations were incorporated. Altogether these cooperative associations served 138,880 farmers and irrigated almost 8 million acres of land.

States with the largest number of companies were: Colorado with 2,265; California, 1,270; Montana, 1,152; Utah, 1,040; Idaho, 996 (table 14).

The mutual companies reported operating 8,120 dams, 1,032 reservoirs and storage places, over 50,000 miles of canals, conduits, tunnels and pipelines, and 2,428 pumping plants. The cooperative investment in these facilities amounted to about \$262.5 million in 1950.

Mutual irrigation in the past has been confined largely to the 17 Western States where irrigation needs have been greatest. With the development of supplemental irrigation, which has occurred in many Midwestern and Eastern States in recent years, mutual companies may sooner or later find a place in these areas.

Farmers Sponsor Other Groups

by French M. Hyre

IN ADDITION to the services already mentioned, farmers have become interested in cooperating to supply other rural needs. Among them are soil conservation, telephones, electricity, health facilities, and dairy herd improvement.

Soil Conservation

Local farmer organized and farmer managed soil conservation districts work at conserving the soil in all States and Territories and in watershed protection and flood prevention projects in many parts of the country. Such districts cooperate with the U. S. Department of Agriculture's Soil Conservation Service in these projects.

The formation of soil conservation districts makes possible effective, cooperative group action, so essential in conservation of agricultural land. Responsibility for formulating the local program and carrying it forward is

placed in the hands of the people who have most at stake.

The Soil Conservation Service, the Department's action agency in soil and water conservation, began assisting farmers and ranchers through districts when the first ones were organized in 1937. The small watershed protection program was started in 1953.

Soil conservation districts are established by initiative and referendum of local people under State authorizing laws. All States and Territories have district enabling laws. Soil conservation districts are formed by local landowners and operators. They register their wants first by a petition and later by a popular vote. The districts are managed by local farmers and ranchers elected to the district's governing body. District supervisors base their work programs on needs of the community and problems individual farmers and ranchers confront in applying a conservation program to the land.

Telephones

Other advantages available to individual farmers and ranchers through district organization are: (1) Technical assistance in working out and applying practical conservation farm plans; (2) use of special conservation equipment which individuals find difficult or costly to obtain; and (3) materials, such as seed or planting stock of special erosion control plants not easily obtained otherwise.

As of January 1, 1955, there were 2,649 soil conservation districts in the United States. They embraced 4,845,599 farms and ranches covering 1,461,024,773 acres, or approximately 89 percent of the farms and ranches in the Nation.

Through a local watershed organization the people are in a position to work together to improve their entire community by managing land and water resources. By initiating and carrying out a watershed program, local people demonstrate that they are eager to protect and to accept the custody of their natural resources. Immediate goals are to improve land use, stabilize water supplies, and reduce upstream flood damage, reservoir silting, soil erosion and stream damage.

In each case some responsible local organization (often a soil conservation district) must initiate the project and give active sponsorship to it. In addition to initiating the program of watershed protection and flood prevention, the watershed organization accepts the responsibility for adapting plans to local requirements, sharing in the costs, and making provisions for applying and maintaining the measures needed for soil and water conservation and flood prevention.

As of March 1955, 250 local watershed organizations had asked the U. S. Department of Agriculture for help in developing watershed work plans. The Soil Conservation Service had authorized planning work in 43 of the watersheds in 24 States. The watersheds range in size from 2,000 acres to more than 200,000 acres.

The first farm mutual telephone companies in this country were organized around 1900. Prior to that time very few farmers had telephones. From about 1880, when the first commercial telephone companies were organized, until the first patent rights expired in 1894, telephone lines were confined almost exclusively to larger cities. With the expiration of the patent rights, numerous manufacturing concerns and independent promoters quickly came into existence. First, telephone lines were built in the smaller cities and towns and then in rural areas.

The telephone was the first of our so-called modern conveniences to reach the farmer. At the turn of the century there were no radios, no hard-surfaced roads, no automobiles, and no R. F. D. routes. Farm families were very much isolated, particularly in the winter. Once farmers learned the convenience of telephoning, the demand for service was great. Lines could not be built fast enough. The industry was new, and commercial companies were building mostly for cities and towns. Some independent promoters were beginning to build rural lines, but the rate of progress was slow. In order to speed up the service and hold cost to a minimum, farmers began organizing mutual companies to build their own lines. Between 1900 and 1910 hundreds of mutual companies came into existence throughout the Midwest and in other parts of the country as well. The development continued into the 1920's, after which it declined somewhat.

In order to expand their market, manufacturers of telephone equipment encouraged the development of mutual companies in rural areas. Some of them published circulars and bulletins telling farmers how to organize a mutual telephone company. Salesmen sometimes picked up the idea and carried it to farmers.

Sometimes the advice farmers got

from this source was good, but frequently it was not. Many companies were set up without adequate book-keeping records. They purposely held their rates low—in most instances just enough to pay current operating costs. A rate of 25 cents per month was not uncommon, and this was used to pay for switchboard service.

These early companies accumulated no reserves—no funds to offset depreciation. When the lines deteriorated and became useless the capital was gone. Farmers then faced the problem of starting all over again—raising new capital and building a new line or abandoning the enterprise. Very few rural telephone lines were properly maintained during the depression years of the 1930's. Some lines were completely abandoned, but most of them remained in operation even though service on them frequently was very poor.

With the upsurge in agricultural production as a part of the war effort in the early 1940's, farmers began to need and demand better telephone resources. However, the scarcity of materials and labor held development of new lines and rehabilitation of old lines to a minimum during the war years.

In the postwar period farmers renewed their efforts for better rural telephone service. In many communities they were not willing to go back to old-type mutuals with one-wire lines, hand-cranking telephones, and party lines which served in some cases 20 or more families. They wanted modern up-to-date telephone service—the type available to urban residents.

In 1949 Congress amended the Rural Electrification Act and authorized the REA to make loans for constructing telephone facilities to serve rural areas lacking adequate service.

The rural telephone program is well under way. By 1955 many farm families had dial phones and other modern telephone facilities for the first time. In this program REA has followed the practice of encouraging existing tele-

phone companies to serve rural areas, and many loans have been made to existing companies for extending telephone lines to farmers in their respective areas. In some cases several of the old mutual companies have consolidated and formed one large telephone cooperative in order to avail themselves of the service offered by the REA telephone program.

In some areas which could not be served by existing companies, REA has assisted farmers in forming new telephone cooperatives.

As of July 1, 1954, 128 commercial companies and 151 cooperatives had loans approved, totaling over \$184½ million. Over \$124 million of this had been authorized for advance to 186 borrowers to pay for construction completed or under way or for other costs in providing modern service. When these borrowers' facilities are completed, more than 410,500 rural families will be getting telephone service from them.

Electricity

On many farms throughout the United States electric motors milk cows, feed chickens, pump water, grind feed, lift hay, and perform many other tasks formerly done by hand labor. Over 400 farm uses of electricity are known. At least 250 of these will increase production or make farming more profitable.

To a large and increasing extent electric power is relieving labor shortages on the farm, providing additional horsepower and increasing operating efficiency. By 1954 the proportion of United States farms electrified had surpassed the 90 percent mark, whereas in 1934 it was less than 11 percent (table 15).

The story of rural electric cooperatives is to a large extent the story of the Rural Electrification Administration. Attempts had been made in several Western and Midwestern States to set up electric cooperatives to serve farmers before the Federal Govern-

ment established a rural electrification lending program in 1935. Only a few were successful, however. The principal difficulties encountered earlier were lack of capital, inability or unwillingness of producers to supply power, and unfavorable State laws. There was also a lack of understanding of cooperative principles, practices, and benefits.

Then Congress included rural electrification as one of the eight categories of projects specifically covered in the Emergency Relief Appropriation Act of 1935. After the passage of this Act, on May 11, the President by Executive order created the Rural Electrification Administration, "to initiate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electric energy in rural areas."

The Rural Electrification Act of 1936 continued the program started under the emergency relief legislation. This act originally provided for a 10-year program of electrification of

rural areas. It made funds available for lending for rural line construction, for financing house wiring in rural areas, and for installing plumbing as well as electrical equipment.

Preference was specified in the Act for applications from cooperative and nonprofit associations. In 1944 Congress removed the 10-year limit and amended the Act to extend the amortization period for construction loans from 25 years to 35 years and to lower the interest rate to 2 percent a year.

More than one-half the electrified farms were receiving service from REA-financed electric distribution systems in 1954. At the close of that year, 1,079 REA-financed systems in 45 States, Alaska, and the Virgin Islands were serving more than 2½ million farms.

The Rural Electrification Administration makes no grants. Under suitable conditions, it makes loans covering the entire cost of building rural electric distribution systems, including, where necessary, generation and transmission equipment. Such loans must

Table 15.—Rural electrification systems: Number, miles of line energized, and patrons served at specified dates, 1940–54 ¹

As of June 30	Number ²	Miles energized ³	Patrons ⁴
1940.....	692	251, 642	854, 828
1941.....	823	356, 053	1, 171, 867
1942.....	874	409, 490	1, 345, 107
1943.....	869	414, 287	1, 358, 114
1944.....	887	448, 889	1, 438, 567
1945.....	926	471, 351	1, 495, 233
1946.....	996	672, 667	2, 080, 167
1947.....	1, 019	811, 019	2, 484, 503
1948.....	1, 039	931, 467	2, 847, 991
1949.....	1, 053	1, 097, 705	3, 352, 603
1950.....	1, 070	1, 214, 702	3, 688, 969
1951.....	1, 076	1, 286, 127	3, 896, 824
1952.....	1, 080	1, 317, 279	4, 034, 334
1953.....	1, 079	1, 351, 297	4, 195, 732
1954.....	1, 079	1, 387, 441	4, 367, 045

¹ Monthly Statistical Bulletin No. 165, January 1955, Rural Electrification Administration.

² Includes about 25 commercial power companies and about 73 municipal systems and public power districts.

³ Loan estimates.

⁴ Consumers connected (loan estimates).



Electric distribution systems in 1954 financed by the Rural Electrification Administration furnished service to over half the electrified farms in this country. This is the Pedernales Electric Co-op, Pedernal, N. Mex.

be amortized over a period of years, must be self-liquidating within the period of the loan, and must be reasonably secured.

Borrowers from REA take electric service to unserved persons in rural areas, not by building and operating electric systems, but by financing systems to be built and operated by qualified local agencies. These may be co-operative associations, various public agencies, or commercial utilities. The REA may advance funds to meet the entire cost of constructing such lines and to provide working capital for the initial operating period. Loans are secured in various ways, usually by a mortgage upon all the property procured and constructed with Government funds.

A typical REA-financed system consists of 1,000 to 1,500 miles of distribution lines operated by a farmer cooperative. The association is incorporated under the laws of the State where located, and has obtained a loan from REA. It serves between 3,500 and 4,500 members. Most of them are farmers but a sizable number are commercial, industrial, and community users—stores, filling stations, a small factory or two, schools, churches, and other rural establishments. The system may also serve a few small villages.

REA has made more than 90 percent of its electrification loans to co-

operatives organized under State laws by rural people seeking electric service. These groups are local, independent, private business enterprises.

The affairs of the rural electric co-operative are guided by a board of directors elected by the membership at the annual meeting. These directors are farm men and women who see to the overall direction of the business. The actual operation is entrusted to a manager employed by the board subject to REA approval. He is assisted by the necessary clerical and technical staff.

Health

In some rural areas where the number of doctors and medical facilities are inadequate, farmers and other rural residents have organized rural health cooperatives. Usually such cooperatives are organized for one or more of the following purposes: (1) To attract doctors; (2) to build and operate a health center; (3) to develop and operate a prepayment plan of medical care adapted to the needs and wishes of local people.

Usually the health cooperative is a formal association organized on a non-profit basis by users of the health service. Most rural health cooperatives are incorporated.

Cooperative health associations, like

other cooperatives, are democratically organized and controlled. The members elect a board of directors who are responsible for carrying out general purposes and policies of the association. Professional matters, however, are left wholly to the doctors with whom the board arranges for service.

Membership in a rural health cooperative applies to the whole family including the head of the household and his dependents, whether related by blood or marriage. Most family memberships cover 3 or 4 persons. An initial fee ranging from \$25 to \$100 in different groups—usually the higher figure—is required of all applicants for membership. This represents the family's investment in whatever buildings and equipment the cooperative may own.

The Farmers Union Hospital Association at Elk City, Okla., organized in 1929, is the oldest rural cooperative hospital association in the United States. In 1931 this association opened a 20-bed hospital and clinic. After that time the hospital center was enlarged until in 1955 it had facilities for more than 100 bed patients.

The membership of the Farmers Union Hospital Association includes families scattered over an area of six counties, with Elk City as one of the chief trading centers. Through facilities of the association many nonmember families also receive health services, but they are required to pay the customary fees for service prevailing in the community.

Members pay a lifetime membership fee of \$50 when they join the association. A family membership certificate covers parents and all unmarried children living at home regardless of their age. Annual dues vary according to the size of the family. They entitle all members of a family to completely prepaid medical and surgical care when services are performed by staff members of the cooperative hospital. Additional services including dental care and hospitalization are provided members on a partially prepaid basis.

The business affairs of the cooperative hospital are administered by a business manager under supervision of the association's elected board of directors. Doctors comprising the hospital's staff have complete supervision of professional services; they are relieved of all business responsibilities connected with the institution and its maintenance. The chief of staff serves on the association's board of directors as an adviser but has no vote.

The high cost of hospital facilities and the shortage of doctors have restricted the development of rural health cooperatives in recent years.

Dairy Herd Improvement

Farmers have greatly increased the productivity of their dairy herds by establishing cooperatives for (1) weighing and testing milk, (2) providing high-grade bulls, and (3) supplying artificial breeding service.

Weigh and Test Milk.—"Cow testing" has been practiced in the United States since 1905 when the first dairy herd improvement association was formed in Michigan. The purpose of testing is to determine the quantities of milk and butterfat produced by each cow in each member's herd. A supervisor keeps feed, production, income, and breeding records on each cow. He spends 1 day a month with each herd, supervises the milking, and prepares reports on the performance of each cow. With such information, unprofitable cows can be eliminated.

For cows on test, the pounds of milk produced annually per cow increased from 7,189 in 1925 to 9,253 in 1953, and the pounds of butterfat from 284 to 368 (table 16).

There were 2,288 active dairy herd improvement associations at the beginning of 1955 with 1,333,866 cows on test. The States with the largest numbers of cows on test in 1955 were California, 190,635 cows; New York, 135,342; Pennsylvania, 120,983; and Wisconsin, 82,485 (fig. 12).

Provide High-Grade Bulls.—The

Table 16.—Growth of dairy herd improvement association work in the United States, 1925–55

Year (Jan. 1)	Associations	Herds on test	Cows on test	Average yearly production (calendar year)			
				Association cows		All cows milked in the United States ¹	
				Milk	Butterfat	Milk	Butterfat
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
1925.....	732	18, 677	307, 073	7, 189	284	4, 218	165
1926.....	777	19, 540	327, 653	7, 331	290	4, 379	172
1927.....	837	21, 128	362, 014	7, 411	293	4, 491	176
1928.....	947	23, 327	414, 891	7, 476	296	4, 516	177
1929.....	1, 090	26, 182	465, 804	7, 498	298	4, 579	180
1930.....	1, 143	27, 888	507, 549	7, 642	303	4, 508	177
1931.....	1, 112	26, 308	510, 714	7, 812	306	4, 459	175
1932.....	1, 005	20, 351	427, 044	7, 858	310	4, 307	169
1933.....	881	15, 447	358, 501	7, 849	313	4, 180	164
1934.....	793	13, 694	325, 837	8, 015	322	4, 033	159
1935.....	809	15, 573	364, 218	7, 977	322	4, 184	165
1936.....	876	17, 344	404, 412	7, 912	319	4, 316	170
1937.....	992	20, 772	496, 562	7, 923	320	4, 366	173
1938.....	1, 106	23, 701	558, 993	7, 831	317	4, 558	180
1939.....	1, 228	25, 949	625, 284	7, 977	323	4, 589	182
1940.....	1, 300	27, 948	676, 141	8, 133	331	4, 622	184
1941.....	1, 383	31, 381	763, 502	8, 225	335	4, 738	188
1942.....	1, 421	32, 957	816, 117	8, 323	339	4, 736	188
1943.....	1, 057	24, 155	616, 972	8, 325	338	4, 598	183
1944.....	954	20, 825	561, 587	8, 296	336	4, 572	182
1945.....	949	21, 254	577, 200	8, 592	346	4, 786	190
1946.....	1, 124	23, 331	627, 878	8, 635	349	4, 886	194
1947.....	1, 426	28, 812	775, 546	8, 638	348	5, 007	199
1948.....	1, 668	33, 274	886, 129	8, 675	350	5, 042	200
1949.....	1, 787	35, 851	943, 939	8, 907	359	5, 272	209
1950.....	1, 973	40, 100	1,088,872	9, 172	370	5, 314	210
1951.....	2, 143	42, 949	1,186,615	9, 195	370	5, 313	210
1952.....	2, 109	40, 105	1,166,297	9, 192	366	5, 328	209
1953.....	2, 151	40, 983	1,226,588	9, 253	368	5, 449	211
1954.....	2, 175	41, 254	1,311,698	.....	.....	5, 512	214
1955.....	2, 288	41, 240	1,333,866	.....	.....	.....	.....

¹ As reported by the Agricultural Marketing Service.

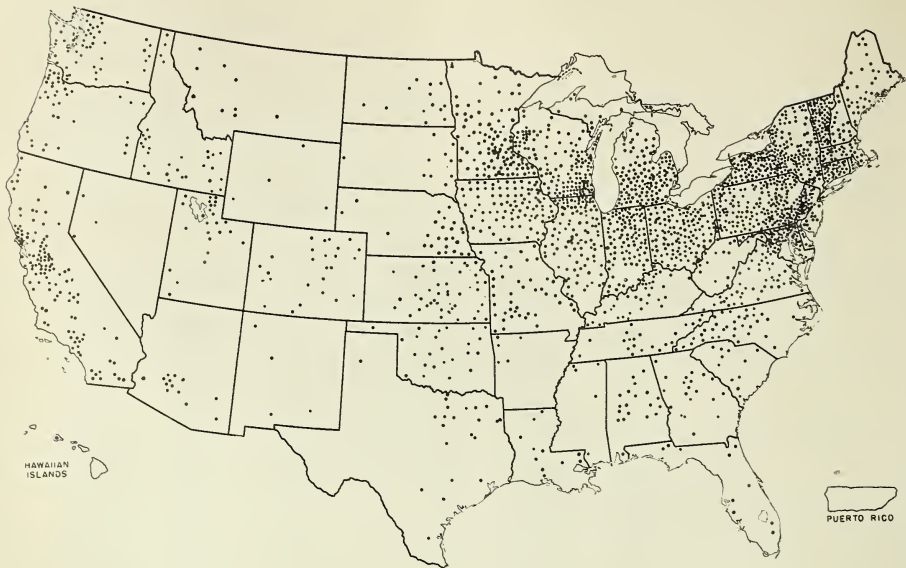
Source: Agricultural Research Service, U. S. Department of Agriculture.

first association for the cooperative ownership of bulls in the United States was organized in Michigan in 1908 shortly after the first dairy herd improvement cooperative. The bull associations consist of groups of farmers who jointly own three or more bulls to serve all their herds. These associations enable farmers to have better bulls and thus help increase production of both milk and butterfat. Such as-

sociations are decreasing in number as a result of the growth of the artificial breeding program which in most areas replaces them.

Supply Artificial Breeding Service.—One of the newer types of cooperatives, the dairy cattle artificial breeding association, has come to the forefront during recent years. Since 1938, when the first such association was organized, tremendous expansion

Figure 12.—Dairy herd improvement associations in the United States, January 1, 1955.



has taken place in cooperative management of bull studs and in marketing semen from high-grade bulls.

According to records of the Agricultural Research Service, U. S. Department of Agriculture, on January 1,

Table 17.—Growth of artificial breeding of dairy cattle in the United States 1939–55

Year (Jan. 1)	Number of organizations	Number of herds	Number of sires in service	Cows bred (calendar year)	
				Total	Per sire
1939	7	646	33	7, 539	228
1940	30	2, 971	138	33, 977	246
1941	42	5, 997	237	70, 751	299
1942	73	12, 118	412	112, 788	274
1943	99	23, 448	574	182, 524	318
1944	95	28, 627	657	218, 070	332
1945	195	43, 998	729	360, 732	495
1946	336	73, 293	900	537, 376	597
1947	608	140, 571	1, 453	1, 184, 168	815
1948	963	224, 493	1, 745	1, 713, 581	982
1949	1, 263	316, 177	1, 940	2, 091, 175	1, 078
1950	1, 460	372, 968	2, 104	2, 619, 555	1, 245
1951	1, 653	467, 224	2, 187	3, 509, 573	1, 605
1952	1, 648	543, 397	2, 324	4, 295, 243	1, 848
1953	1, 623	571, 921	2, 598	4, 845, 222	1, 865
1954	1, 432	606, 997	2, 661	5, 155, 240	1, 937
1955	1, 476	593, 190	2, 450	.....	.....

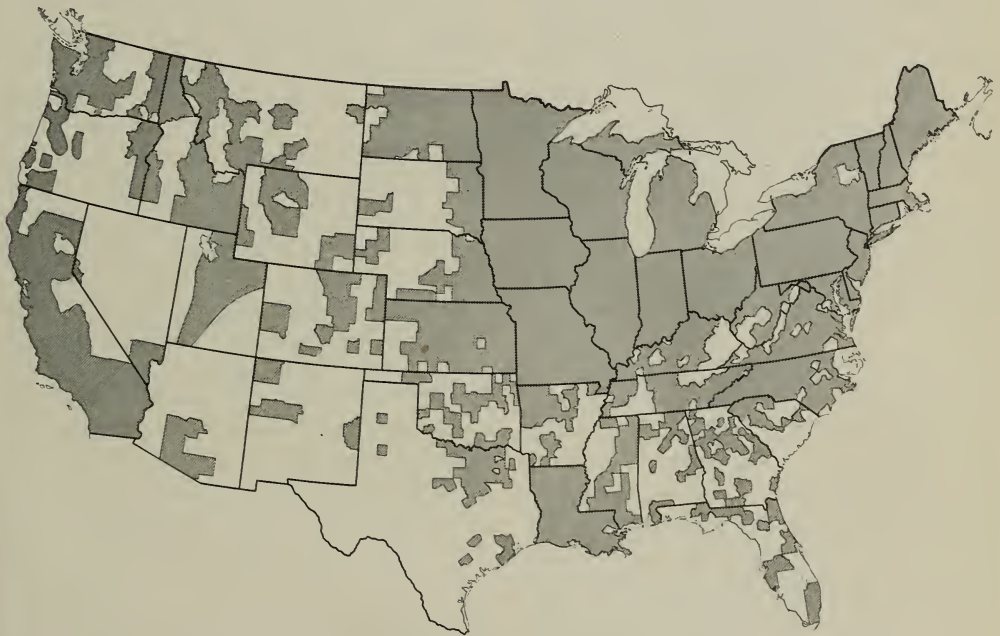
From 1939 to 1946 cows were reported only on the basis of enrollment.
Source: Agricultural Research Service, U. S. Department of Agriculture.

1955, there were 1,476 artificial breeding organizations in the United States (fig. 13). They served nearly 600,000 herds and owned or leased about 2 450 bulls. In 1954 they provided breeding service for over 5.1 million cows (table 17). Not all of these organizations were cooperatives but a high proportion of the business of artificial breeding of dairy cattle is handled by farmer associations. This form of organization is expected to expand further and to have far-reaching effects on the average quality of dairy animals and on the efficiency of milk production.

Farmers obtain many advantages through these associations. By means of artificial insemination, a single bull is sufficient for several herds. Farmers with small herds who could not otherwise afford the services of outstanding sires can obtain them through the cooperative. It is possible to increase production greatly by keeping only bulls that can transmit high producing characteristics to future cows.

Most of the associations are set up on a nonstock basis. They may be independent locals, federations of locals, or large centralized cooperatives.

Figure 13.—Areas served by artificial breeding associations, January 1, 1955.





Cooperative Credit Helps Farm Businesses

by W. Gifford Hoag, Farm Credit Administration

IN CREDIT as in marketing farm products and in buying farm supplies, cooperatives bring many business advantages to farmers and ranchers. In particular, they have made possible improved credit services at lower costs. They also assure that farmers with a sound basis for credit will have a dependable source of credit in years of low farm income as well as in years that are better for farming.

Many farmers belong to more than one credit cooperative. For this reason it is difficult to determine the exact number of farmers receiving direct benefits through the Cooperative Farm Credit System supervised by the Farm Credit Administration. However, it is conservatively estimated that between 2 and 3 million farmers borrow through their national farm loan associations or their production credit associations, or are members of cooperatives whose operations are financed in part by loans from the banks for cooperatives.

Farmers and their marketing, supply, and business service cooperatives in recent years have been borrowing about \$2 billion annually from the Cooperative Farm Credit System. They also have had about the same amount in loans outstanding from the System from year to year.

The direct advantages, of course, accrue to farmers who use cooperative credit to help finance their farm businesses. However, most other farmers who use credit benefit indirectly from the pace-setting effect of the Cooperative Farm Credit System on terms and

costs of credit provided by other lenders.

Local credit cooperatives within the Cooperative Farm Credit System are the 1,100 national farm loan associations and the 498 production credit associations. As their names imply, these associations provide a means for farmers to obtain mortgage or operating credit, respectively. In addition there are 12 Federal land banks, 12 production credit corporations, 12 Federal intermediate credit banks, and 13 banks for cooperatives.

Early in 1955, farmers had more than \$193 million invested in this System. These organizations had built up reserves and surplus accounts totaling \$571 million.

The Cooperative Farm Credit System has expanded and improved its services gradually by various steps and stages over a period of nearly 40 years.

The growth in services offered, and the use and importance of the System have been accompanied by, and in large measure been made necessary by, the rapid specialization and mechanization of farming.

Farmers have had to increase their investments in their farm businesses as they have found more ways of mechanizing farm operations, as they have improved their soil, and as they have adopted measures to conserve their soil. It took larger investments as they electrified their farms and homes, and as they improved their livestock, and their buildings. Rising rural standards of living, including such things as the installation of water systems, and the purchase of cars, trucks, radios, televi-

sion sets, and home appliances all have necessitated an increased cash outlay.

Modern farming methods have also increased farmers' needs for cash. They need money to buy fertilizer, lime, feed, seed, petroleum products, insecticides, fungicides, weed killers, and a host of other items—many of

these unknown or hardly dreamed of 40 years ago.

Farmers' needs for credit also have grown as they have integrated their business—as they have taken on responsibility for acquiring their farm supplies and marketing and processing their products through cooperation with other farmers.

Farmers Try Cooperative Banks

WHILE the first units of the Cooperative Farm Credit System were not authorized until 1916, farmers organized cooperative banks as early as the 1870–90 period.

About 1874, for example, farmers organized the Granger Bank of California with headquarters in San Francisco. Incorporated under State statutes, it was authorized to issue capital stock in the amount of \$1 million. Shortly after its establishment it had paid-in capital amounting to more than \$700,000. Loans were made directly to farmers and their cooperatives. This bank made loans on grain, wine, raisins, and other salable fruits stored in warehouses. By December 31, 1890, it had assets of \$2.3 million.³³

Two years later, in 1876, Grangers organized the Patrons' Cooperative Bank of Olathe, Kans., as part of the Johnson County Cooperative Association. Confining its business to the immediate locality, this bank was credited with helping to reduce interest rates in that vicinity. On January 1, 1891, it had \$198,888 in assets.³⁴ Since the Cooperative Farm Credit System has been in operation, farmers have made similar efforts to finance their businesses.

The most recent effort of farmers to

own a bank was the purchase of one at Beech Grove, Ind., in 1939. The principal stockholders were the Indiana Farm Bureau Cooperative Association and the Indiana Farm Bureau Federation. Other stockholders were several county Farm Bureau cooperatives and Farm Bureau credit unions. It operated successfully for about 10 years. However, it was sold to the Merchants National Bank of Indianapolis because of the difficulty of operating a specialized bank and at the same time serving the local community as required by its certificate of convenience from the State government. At one time as many as 20 county Farm Bureau cooperatives in Indiana used the bank and were responsible for 70 percent of its loans and discounts. Its assets exceeded \$1 million.

The National Cooperative Financing Association was organized in Columbus, Ohio, in June 1944. The purpose, as the name implies, was to assist cooperatives, rural and urban, to obtain adequate financing. Charter members were National Cooperatives, Inc., Albert Lea, Minn., 6 farmer cooperatives operating on a regional basis, and 2 wholesale associations serving urban cooperatives. Up to 1955, this cooperative had not been active. However, the Cooperative League of the U. S. A., Chicago, and the Farm Bureau Insurance Companies, Columbus, Ohio, were engaged in putting the association into operation to help cooperatives expand.

³³ MYRICK, H. HOW TO COOPERATE (copyright 1891). 349 pp. illus. New York 1914. pp. 192–198.

³⁴ MYRICK, H. HOW TO COOPERATE (copyright 1891). 349 pp. illus. New York 1914. pp. 114–198.

Needs Led to Present System

GOING BACK to the 1890 period, it was at that time farmers and their leaders became increasingly aware of the shortage of credit for financing farm businesses and the accompanying high interest rates. Also, loans then available were not generally adapted to the farm business. These things led to a great deal of discussion among farmers about the possibility of obtaining better credit facilities. As previously stated, the increasing specialization of agriculture and the beginnings of mechanization speeded the search for adequate credit on terms better suited to the needs of farmers.

Among other things the Country Life Commission, appointed by President Theodore Roosevelt in 1908, suggested "a thoroughgoing investigation by experts of the middleman's system of handling farm products, coupled with a general inquiry into the farmers' disadvantages in respect to taxation, transportation rates, cooperative organizations and credit, and the general business system."

When the Southern Commercial Congress met at Nashville, Tenn., in 1912, it appointed the American Commission to go to Europe and study "the methods employed by progressive agricultural communities in production and marketing and in the financing of both these operations."³⁵

In 1913, President Wilson appointed the "United States Commission" of seven members to cooperate with the American Commission. The purpose of these groups was to study the European system of rural cooperative credit and how it might be adapted to the needs of the American farmers. The United States Commission on its return from Europe recommended legislation for "the establishment, operation, and supervision of a national farm land bank system in the United States."³⁶

After a good deal of discussion in and out of that body, Congress passed the Federal Farm Loan Act of 1916. This provided for establishment of 12 Federal land banks. Farmers were authorized to organize local credit cooperatives to be known as national farm loan associations. These associations would handle and endorse long-term farm mortgage loans made to their members by the Federal land banks. This is still the function of the farm loan associations.

Thus, the Act of 1916 became the beginning of today's Cooperative Farm Credit System. During the period from 1917, when the land banks opened for business, to 1933 the System was gradually rounded out.

In 1923, Congress provided for establishment of the 12 Federal intermediate credit banks. These were and still are banks of discount. They were authorized to discount loans made to farmers for production purposes by agricultural credit corporations, livestock loan companies, and commercial banks. The banks are also authorized to make certain types of loans to cooperatives.

In 1933 Congress provided for the establishment of 12 production credit corporations, local production credit associations, and the 13 banks for cooperatives.

The production credit corporations assisted in organizing the production credit associations, helped capitalize them with Government funds, and now provide supervision. The production credit associations—local cooperative retailers of credit—provide short-term credit for production purposes to qualified farmer-members. They are authorized to obtain their loan funds through discounting with and borrowing from the Federal intermediate credit banks.

The banks for cooperatives make loans to marketing, supply and service associations of farmers.

³⁵ Senate Document 855, 62d Congress, 2d session.

³⁶ Senate Document 380, parts I and II, 63d Congress, 2d session.

All of these lending organizations were placed under the Farm Credit Administration created by Executive Order of the President, effective May 27, 1933.

The United States is divided into 12 Farm Credit districts. In each district the following four credit units are located in one central office: (1) A Federal land bank; (2) a production credit corporation; (3) a district bank for cooperatives; and (4) a Federal intermediate credit bank.

The Cooperative Farm Credit System, supervised by the Farm Credit Administration, is designed to provide farmers who have a sound basis for credit an opportunity to obtain funds supplied by private investors. Farmers can then use these funds to finance the ownership and operation of their farms and to finance their marketing, farm supply and business service cooperatives. Loans used by individual farmers are obtained through local farmer-owned and farmer-controlled credit cooperatives.

Boards Make Policies

Each district has a Farm Credit board which serves ex officio as the board of directors of the land bank, the intermediate credit bank, the production credit corporation, and the bank for cooperatives. Each district Farm Credit board is made up of 7 members—2 elected by national farm loan associations, 2 by production credit associations, and 1 by cooperatives using the district banks for cooperatives. When the capital owned by users of a bank for cooperatives plus the surplus and reserves of the banks equal or exceed two-thirds of its capital, the cooperatives are entitled to elect a second member to the district Farm Credit board. The remaining member or members are appointed by the Governor of the Farm Credit Administration.

The Farm Credit Administration, which became a part of the U. S. Department of Agriculture in 1939, was

again made an independent agency on December 4, 1953, in accordance with the provisions of the Farm Credit Act of 1953.

On this date the Federal Farm Credit Board of 13 members who serve on a part-time basis became the policy making body for the Farm Credit Administration. The President of the United States appoints 12 members of this board, 1 member from each Farm Credit district. The Secretary of Agriculture appoints the 13th member. In making his appointments the President is required to consider three nominees selected respectively by national farm loan associations, production credit associations, and cooperative users of the bank for cooperatives within each district.

The Federal Farm Credit Board, with approval of the President of the United States, selects the Governor of the Farm Credit Administration to administer the affairs of the Farm Credit Administration and to carry out its policies.

Farm Mortgage Loans

Farmers have borrowed more than \$5 billion from the Cooperative Land Bank System since it began operation in 1917. In addition farmers obtained about \$1¼ billion in Land Bank Commissioner loans which the System handled for the Government during the depression of the 1930's and the years immediately following.

The Federal land banks and the 1,100 national farm loan associations make up the Land Bank System. These institutions working together provide long-term farm mortgage credit for farmers. They establish interest rates in keeping with costs of funds in the money markets and on terms particularly suited to the needs of farmers.

Farmers obtain land bank loans on the security of first mortgages on their farms through their national farm loan associations. Each farmer obtaining

a loan becomes a member of his local mortgage credit cooperative by purchasing stock in the farm loan association equal to at least 5 percent of his loan. The association in turn purchases a like amount of capital stock in the land bank of its district. Each member of a national farm loan association is entitled to one vote in the election of directors and in other decisions made by the members. The association endorses the loans of its members and handles the servicing of the loans after they are made.

The Cooperative Land Bank System endeavors to make farm mortgage loans to farmers at the lowest possible cost. After retaining sufficient amounts to build necessary reserves, the land banks return their remaining net margins to the local national farm loan associations as dividends on their stock. The associations also pay dividends to their members after they have built up adequate reserves. In the 11 years immediately prior to 1955 national farm loan associations returned a total of \$34 million to members in the form of such dividends.

The Land Bank System has introduced or made generally applicable throughout the country many improvements in the terms of farm mortgage loans. These improvements include

the first general use throughout the country of long-term loans up to periods of 40 years repayable on an amortized basis; that is, each farmer pays a part of the principal along with the interest, either annually or semi-annually.

In 1933 the Cooperative Land Bank System developed the concept of making farm mortgage loans on the basis of normal agricultural values. Normal agricultural value is defined as "the amount a typical purchaser would, under usual conditions, be willing to pay and be justified in paying for the property for customary agricultural uses, including farm home advantages, with the expectation of obtaining average production and of receiving normal prices for farm commodities." The income a farm may be expected to return over a long period of years is a principal factor in determining its normal agricultural value.

This policy of lending on normal agricultural values has enabled farmers to borrow more than they could have if loans were based on current market prices in times of depression and in preventing overborrowing in times of high prices. Thus lending on normal value has been a stabilizing influence.

The Cooperative Land Bank System has also pioneered by allowing farmers



Farmers obtain long-term mortgage loans through national farm loan associations and operating loans from production credit associations.

to pay off loans ahead of schedule without penalty charges. It also makes it possible for farmers to build up "future payment funds" by setting aside money with the bank in years of high income to meet payments coming due in years when income may be low.

The land banks, in addition to using their own funds to make loans, obtain lending funds by selling bonds to the investing public. These bonds are secured by the mortgages given by farmers as security for their loans and by other assets of the banks. The Government does not guarantee land bank bonds in any way.

In 1916, Congress provided nearly \$9 million for the original capital of the Federal Land Bank System. By 1932 almost all this capital had been replaced by farmer-owned capital.

However, because of depression conditions at that time, Congress provided for the Government investment of \$125 million in the capital stock of the banks.

The Emergency Farm Mortgage Act of 1933 authorized the Secretary of the Treasury, in behalf of the United States, to subscribe to the paid-in surplus of the banks to compensate them for deferring and extending payments due on loans which farmers were unable to pay because of depression conditions. Under the Act the land banks received a total of nearly \$189 million in paid-in surplus.

By June 30, 1947, all the land banks had returned to the United States Treasury the last of their Government-owned stock and surplus. Since then the land banks have been completely owned by farmers through their national farm loan associations.

Operating Credit

Farmers currently borrow about \$1.2 billion a year from their production credit associations. They use these loans to finance their farm operations. The uses include purchasing seed, fuel, feed, fertilizer, and other farm supplies, hiring necessary labor, purchasing farm

machinery, paying taxes and insurance, repairing farm buildings, and making farm and home improvements.

Each farmer who borrows from a production credit association owns voting stock in his association equal to at least 5 percent of his loan. Each member of a production credit association is entitled to one vote in the affairs of the association including the election of directors.

The board of directors hires a secretary-treasurer who runs the day-to-day affairs of the association. The secretary-treasurer and two members of the board constitute a loan committee which considers all applications for loans.

Farmers can borrow any sum from \$50 up. The amount an individual farmer may borrow depends to a large extent on his financial condition and his ability to repay the loan.

Most loans are made for periods of 1 year or less. However, unpaid balances of loans for such capital purposes as the purchase of livestock and farm machinery and improving farmland or buildings can be renewed if satisfactory progress is being made. The associations began to experiment with 3-year loans for such purposes in 1954.

Each farmer who obtains a loan from a production credit association tells how he expects to use the money, gives a complete financial statement and an estimate of his expenses, and states what income will be available for repayment. Many farmers borrow to finance the entire year's business. They arrange to have the money advanced as it is needed and make repayments as income comes in from the sale of their products. Since interest is charged only for the time each dollar is outstanding this results in reducing interest costs.

The associations obtain their funds by discounting farmers' loans with the Federal intermediate credit bank or by obtaining direct loans from these banks. The intermediate credit banks in turn obtain their funds from the sale of short-term bonds known as "de-

bentures" to the investing public. The Federal Government does not guarantee these securities as to either interest or principal.

More than 476,000 farmers were members of the 498 production credit associations as of June 30, 1955. A total of \$90 million originally was provided as capital to the production credit associations through the Government-owned production credit corporations. By March 1, 1955, these associations had returned all but \$2.9 million of this amount and 415 associations had returned all of their Government capital.

Farmer ownership of capital in the associations totaled \$95 million early in 1955 and the associations had built up reserves of \$91 million.

In 1954 farmer members of 121 associations received \$1.2 million dollars in dividends on their stock and in patronage refunds based on how much interest they paid during the year. These payments had the effect of further reducing the cost of credit to the farmers.

One of the future objectives set out for the Production Credit System by Congress in the Farm Credit Act of 1953 was the eventual return of Government capital in the production credit corporations. Various plans for accomplishing this are under active study.

Loans to Cooperatives

More than 2,000 farmer marketing, supply and service cooperatives use the services of the banks for cooperatives. They borrow about \$500 million annually. These loans help to finance the business of an even larger number of cooperatives than the actual number of loans would indicate. Many federated cooperatives obtaining loans are organized, owned by and provide services to hundreds of local cooperatives.

As previously stated, one bank for cooperatives is located in each of the 12 Farm Credit districts. The Central



When farmers and ranchers obtain loans from their credit cooperatives they are dealing with specialists who know the problems of farmers and ranchers.

Bank for Cooperatives is located at Washington, D. C., but most cooperatives borrow from their district banks. In the case of larger loans or loans to regional associations operating in more than one district the Central Bank may participate in the loan with one or more district banks.

The banks were originally capitalized in 1933 from funds remaining in the Agricultural Marketing Act revolving fund administered by the Federal Farm Board from 1929 to 1933. Their peak Government capital was \$178.5 million which they had reduced to \$150 million by 1955. Each cooperative borrowing from a bank for cooperatives owns stock in the bank. The amount of the stock investment is generally in proportion to the use the cooperative makes of the bank.

The Farm Credit Act of 1953 directed the new Federal Farm Credit Board to develop plans for speeding the retirement of Government capital in the banks. In line with this policy the Federal Farm Credit Board recommended to the 1955 session of Congress a plan by which cooperatives can gradually increase their investments in the capital stock of the banks for cooperatives. This plan was adopted and became law in the form substantially as recommended by the Board.

In addition to using their capital the banks obtain loan funds by selling consolidated debentures to the investing public, by loans from commercial banks, and by discounting loans with the Federal intermediate credit banks.

Three distinct types of loans may be made to farmer cooperative associations which meet the eligibility and credit standards of the banks. They are as follows:

1. Commodity loans—secured by a first lien on staple farm products or supplies.
2. Operating capital loans—used to supplement the cooperatives' own capital funds.
3. Facility loans—used to finance or refinance the acquisition of land, buildings, and equipment used by the association.

To be eligible to borrow from a bank for cooperatives, a cooperative must be an association in which farmers act together in (1) processing, preparing for market, handling or marketing farm products; (2) purchasing, testing, grading, processing, distributing, or furnishing farm supplies; or (3) furnishing farm business services.

Associations performing a combination of two or more of these services are also eligible.

It is also necessary that an association be operated for the mutual benefit of its members and conduct as much or more business with members as with nonmembers. To be eligible to borrow, a cooperative must provide that no member may have more than one vote, or else dividends on its stock or membership capital must be limited to 8 percent a year. A further requirement is that at least 90 percent of the voting stock of a capital-stock cooperative must be held by either producer-members or by associations owned and controlled by producers.

Losses and estimated losses on the \$6.8 billion of credit extended by the banks for cooperatives since the banks were organized in 1933 have amounted to one-eighth of 1 percent.



Long-term mortgage loans made through national farm loan associations are based on the appraised normal agricultural value of the farm.

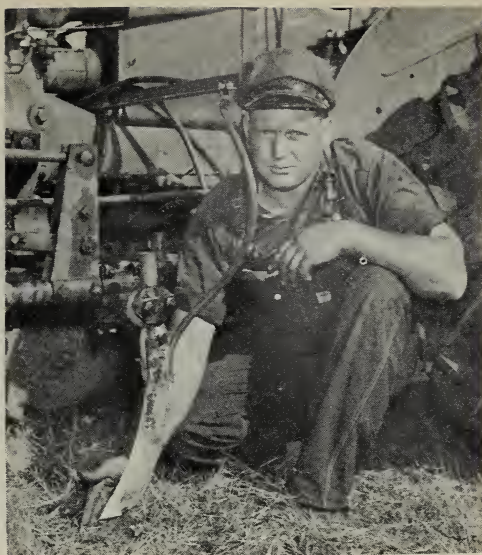
Intermediate Credit Banks

While wholly owned by the Federal Government, the 12 Federal intermediate credit banks perform an important service for the Cooperative Farm Credit System.

These banks are wholesalers of credit. They tap investment funds in the Nation's financial centers for use in farming communities throughout the country. The intermediate credit banks do this by selling debentures, backed chiefly by the notes of farmers, stockmen, and their cooperatives.

The notes of farmers and their cooperatives used as security for these debentures are the notes given in connection with loans made by production credit associations, livestock loan companies, agricultural credit corporations, commercial banks, and banks for cooperatives that have been discounted by the intermediate credit banks.

Over their 32-year period of operation, the intermediate credit banks have extended credit totaling \$24 billion. The banks have built up reserves and earned surplus accounts of nearly \$50 million and paid the Federal Government over \$9 million in franchise taxes.



Farmers use operating loans from the production credit associations for all types of farm expenses. This farmer is getting ready to apply liquid nitrogen to the soil.

As in the case of the production credit corporations and banks for cooperatives, Congress in the Farm Credit Act of 1953 asked the Federal Farm Credit Board to submit a plan for retiring the Government capital in the Federal intermediate credit banks. Such a plan is in the process of development.

Farmers Own Credit Corporations

FARMERS and stockmen through their marketing and farm supply cooperatives have capitalized numerous livestock loan companies and agricultural credit corporations as subsidiaries of their cooperatives. About 25 are currently active. Some of these were organized in the period of 1923-33 to make loans to farmers and stockmen with funds obtained by discounting farmers' notes with the intermediate credit banks.

About a dozen of these loan or credit companies are affiliated with livestock marketing cooperatives at such widely scattered points as San

Francisco in the West, Chicago in the North, and Fort Worth in the South. Six of these organizations are affiliated with the National Feeder and Finance Corp. This corporation is a subsidiary of the National Livestock Producers Association at Chicago.³⁷

Other livestock credit companies are affiliated with the terminal marketing agencies. Farmers borrow from these corporations chiefly to finance cattle on the range or in the feed lots in the Midwest. Some of them, however, also borrow to finance range sheep or to feed lambs.

³⁷ See page 85.



Farmers obtain loans from their credit cooperatives for many purposes including financing of livestock and crop operations.

Some of the other subsidiary credit corporations from which farmers borrow to finance their farm operations are affiliated with specialized market-

ing associations such as apple and potato marketing cooperatives. Others are subsidiaries of cooperatives purchasing farm supplies for farmers.

Farmers Form Credit Unions

GROUPS of people with common interests may form credit unions to cooperate in accumulating their savings and in making loans at reasonable rates of interest to their own members.

According to the Credit Union National Association at Madison, Wis., that people living in rural communities own and operate 1,080 credit unions. In most cases these credit unions are not restricted to farmers but include as members anyone who lives in the community.

Because rural credit unions are smaller than those organized by people in industrial areas, it is estimated that approximately 150,000 people are members of credit unions in rural communities. In some cases members of farm organizations or farmer cooperatives have organized rural credit unions such as in the case of the Indiana Farm Bureau and several dairy cooperatives. Other credit unions have been organized to serve the employees of various types of farmer cooperatives. Of the

total rural credit unions, members or employees of cooperatives make up 288 and 219 are affiliated with general farm organizations.

The first credit unions were organized in Massachusetts under State legislation passed in 1909. The Credit Union National Extension Bureau was formed in 1921 to acquaint people with the advantages and possibilities of credit unions and to aid in obtaining legislation that made possible the formation of credit unions.

By 1934, 38 States and the District of Columbia had such legislation. As State legislation was provided, more and more credit unions were formed. Some of the State laws were so drawn, however, that it was difficult for credit unions to operate.

As a result of these difficulties Congress passed the Federal Credit Union Act of 1934 authorizing the Federal charter of credit unions by the Governor of the Farm Credit Administration. By Executive Order of the President in 1942, all the functions,

powers, and duties of the Farm Credit Administration relating to Federal credit unions were transferred to the Federal Deposit Insurance Corporation. These functions, powers, and duties were later transferred to the Department of Health, Education, and Welfare.

Membership in a Federal credit union is limited to persons having a common bond of occupation or association such as the employees of the same company or the members of the same church, or to groups within a well-defined neighborhood or rural district.

Each member buys at least one \$5

share. Members can add to savings in any amount they desire. They may borrow for a period of not to exceed 3 years for provident or productive purposes. If the savings of members exceed the demand for loans, credit unions may invest in shares of Federal savings and loan associations, in loans to other credit unions, and in securities issued or guaranteed by the Federal Government.

In 1955 there were 15,061 credit unions in the United States. Total membership of all credit unions was estimated at 8,902,000. Their total savings were \$2.5 billion and loans totaled \$1.9 billion.



Farmers Cooperate in Alaska, Hawaii, and Puerto Rico

ALTOGETHER, about 130 farmer cooperatives serve their members in the Territories of Alaska and Hawaii and the Commonwealth

of Puerto Rico. This section discusses the growth and present activities of these cooperatives, and their importance in their localities.

Alaska

by James W. Wilson,
Commissioner of Agriculture, Territory of Alaska

FOUR farmer cooperatives are now active in Alaska. These are the Matanuska Valley Farmers' Cooperative Association, Palmer; the Tenana Valley Farmers' Association, Fairbanks; the Juneau Dairies, Inc., Juneau; and the Kachemak Bay Farmers' Association, Homer. A fifth organization at Anchor Point, on the Kenai Peninsula, has been inactive. Aside from these, there are several Rural Electrification Administration cooperatives and a dozen or so native village cooperative purchasing groups.

The Matanuska Valley Farmers' Cooperative Association, commonly referred to as MVFCA, was formed in 1939 among the colonists of the Matanuska Valley project. The community facilities of the colony were purchased on a longtime contract. The farmers took over the operation of cooperative stores which sold farm supplies, groceries, and dry goods; the creamery and produce plants; a garage; a dormitory; and other housing facilities. In spite of certain difficulties, including occasional periods of lax management in the past, the association has thrived. In fact, it has been the nucleus of the Matanuska Valley's progress. Membership in 1954 was 125.

The MVFCA receives milk from 41

shippers. The cooperative plant at Palmer bottles milk and distributes it largely in Anchorage. In addition to fresh milk the cooperative manufactures recombined milk for the military posts of Alaska. It is the largest manufacturer of ice cream and cottage cheese in the Territory. The Palmer plant is completely modern.

The MVFCA also handles eggs and produce for its members. It stores approximately 1,500 tons of potatoes and has modern grading equipment and cold-storage facilities. The Trading Post, with farm supply store, petroleum bulk plant, and housing facilities, is active.

The Tenana Valley Farmers' Association organized in 1945 to market the produce grown in the Tenana Valley around Fairbanks. It also purchases feed and fertilizer for its members each year. The group built a root storage of about 800-ton capacity and purchased grading equipment which has enabled them to store and market efficiently. The membership in 1954 was 53.

Juneau Dairies, Inc., is an association of four dairymen who have sizable herds. Its modern processing plant bottles milk and makes ice cream and cottage cheese for Juneau and sur-

rounding towns. Although the plant is small it provides an efficient outlet for milk.

Kachemak Bay Farmers' Association has a membership of perhaps 20

farmers, most of them with small or part-time operations near Homer. The organization buys feed, seed, and fertilizer for the members but does no marketing.

Hawaii

by C. W. Peters,

Department of Agricultural Economics (HAES), University of Hawaii

AGRICULTURE in Hawaii centers around production of sugarcane and pineapples by about 40 large plantation units. There are considerable numbers of independent growers in some areas of the Islands but their output is small when compared to that of the corporate farms. Of the 5,246 farms listed in the Territory at the end of 1952, production of sugarcane or pineapples was the major enterprise of 1,765. In terms of value at point of production these two major crops made up over three-fourths of Hawaii's income from agricultural output.

The 28 sugar plantations of Hawaii market their entire output of raw sugar and molasses through the California and Hawaiian Sugar Refining Corp., Ltd. The "C. and H." is a stock-type cooperative, chartered in California as a producer cooperative in 1921. It is owned and operated by the Hawaii plantations, ownership being substantially in proportion to the volume of sugar marketed by each member unit. This cooperative organization operates two refineries, one on the Mainland and one in Hawaii. The C. and H. refinery at Crockett, Calif., is the largest of its type in the world. It has an annual capacity of 775,000 tons of raw sugar. In 1953 the value of raw sugar and molasses produced by Hawaii's plantations for marketing through this association was over \$145 million.

There are 3,481 farms engaged in producing diversified agricultural commodities (other than sugarcane and pineapples). Among these the major enterprises in 1954 were livestock,

poultry, vegetables, coffee, fruits, and taro. Almost two-thirds of the units producing diversified crops were classified as vegetable, coffee, or swine farms. Beef, dairy and poultry products accounted for over half the value of 1954 marketings from the diversified farms.

Aside from successful efforts on the part of Hawaiian sugar planters, development of farmer cooperatives in the Islands has been of recent origin and is still limited in scope. The organizational period for formal cooperative associations by small-scale farmers in Hawaii began in 1934. Prior to this date the only forms of joint action consisted of informal Japanese groups (called "Kumiai", the Japanese word for cooperative), and Chinese groups (called Hui) organized for such mutual activities as burial, credit, and investment. A number of marketing associations were set up between 1934 and 1941 but the mortality rate among these groups was high. Major reasons for the difficulties of these early associations included faulty organizational pattern, poor management, unsatisfactory membership relations, and inadequate financing.

During World War II a cooperative type of produce marketing organization operated successfully to channel fresh fruits and vegetables through the Military Farm Produce Coordinator in Honolulu. Many people believed that this organization would serve as the basis for an islandwide produce cooperative after the war, but these plans failed to materialize. During

and after the war period several local associations handling poultry, produce, flowers, and farm supplies were established.

In 1949, the Territorial Legislature enacted a law that provides adequately for the needs of farmer cooperatives. Now the way is much more clear for farm groups desiring to engage in formal cooperative activity. But there has been only limited development of new associations since the improved act became effective.

There were 18 local farmer cooperatives with 1,060 members actively operating in Hawaii at the close of 1953. Each of the major islands of Kauai, Oahu, Maui, and Hawaii had at least two of these cooperatives. All but two of the organizations were engaged primarily in marketing. This has been the function emphasized in the cooperative movement as it has developed in the Islands.

Eight of the marketing associations with 418 members are packing and shipping fresh fruits and vegetables to the Island markets. One cooperative owned by five cattle ranchers markets much of the beef consumed on the Island of Hawaii. Two other livestock associations market live hogs on the Island of Oahu. Three marketing groups handle eggs and poultry while the remaining two associations market coffee and flowers, respectively. A new association of coffee growers is building a coffee mill on the Island of Hawaii. This is the second cooperative actively marketing Kona coffee. The 16 marketing associations reported more than \$3.6 million in gross business (including farm supplies) during 1953.

Two associations engage exclusively in purchasing supplies in the Territory. These units, located on Oahu, specialize in livestock and poultry feeds. In 1953 they had 335 members who purchased farm supplies valued at \$719,000. Several of the marketing associations also handle a line of production supplies as a service to their members. The value of farm supplies that were purchased through Hawaii's



Bulk sugar bins at the Crockett, Calif., refinery, largest of its kind in the world. California and Hawaiian Sugar Refining Corp., Ltd., a producers' cooperative, operates this refinery and also one in Hawaii.

marketing cooperatives in 1953 probably exceeded \$500,000.

On all the major islands except Oahu farmers have made substantial progress in building a cooperative source of credit through organization of Federal Credit Unions. This approach to the credit problem has been reasonably satisfactory during recent years of high prices when growers have had a surplus of funds to invest in the Unions. The Farm Credit Administration's program of cooperative credit for agriculture has not yet been extended to Hawaii.

In 1953, about 25 percent of the farmers producing diversified crops in Hawaii were members of one or more cooperatives. Further development of farmer cooperatives is probable. However, there are serious impediments in the form of a traditionally suspicious attitude of farmers toward one another. Lack of adequate financial resources must be overcome, also, before the movement will develop as it has on the

Mainland. Comparatively speaking, progress has not been rapid in establishing cooperatives among the small family-type farmers in the Territory. However, there is now available a sat-

isfactory legislative authorization plus sufficient accumulation of actual experience to guide those who endeavor to engage in new or expanded cooperative action.

The Commonwealth of Puerto Rico

by Ramon Barrocal Martinez,

Department of Agriculture and Commerce, San Juan, P. R.

BECAUSE of complex social and economic factors affecting the Puerto Rican economy, cooperative development is of vital importance, especially in agriculture. This island, which is about 100 miles long and 35 miles wide, had about 90 percent (about 1.8 million acres) of its total land area in farms in 1950.

Most Farms Are Small

There were 53,515 farms in Puerto Rico in 1950. Over half were less than 9 acres and nearly 90 percent were less than 49 acres. Only 2 percent had 252 acres or more. Of the land in farms, 41.7 percent was used for crops, 34.6 percent was suitable for crops but was used for pastures, 8.5 percent was used for crops although not suitable for such purpose, 9.8 percent was in

hills and mountains, and 5.4 percent was used for roads and buildings or was wasteland.

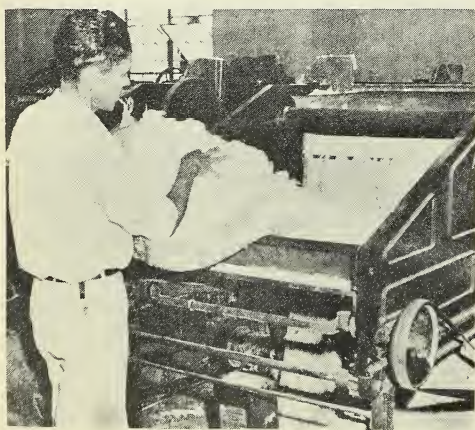
Population in Puerto Rico totaled 2,210,703, or 645 inhabitants per square mile, in 1950. Of these, 1,315,890, or 60 percent, were classified as rural and the remainder as urban. Because of the population pressure, subsistence farming is common on the poorer hilly land. Such farmers, of course, obtain only a meager living.

Gross income from agriculture in 1952-53 totaled \$211.7 million. Of this total, about 72 percent came from crops and 28 percent from livestock products. Most of this farm income was derived from export crops, principally sugarcane, tobacco, pineapples, coffee, coconuts, and vegetables. Over \$103 million or about half the income was from sugarcane alone. Milk accounted for over half the income from livestock products.

Agricultural products contribute about four-fifths of the net exports of the Commonwealth. Sugar, molasses, and rum constitute about three-fifths. Coffee, tobacco, and fruits account for the other fifth.

Cooperatives Develop

Interest in farmer cooperatives began in the 1920's. An association to market sugarcane had been incorporated under corporation laws of Puerto Rico in 1919, but it dissolved 2 years later. The first cooperative law in the Commonwealth was passed as Act No. 70 on August 4, 1925, and was amended in 1926, 1932, and 1938. It pro-



Puerto Rico Cotton Growers Marketing Cooperative, Arecibo, only cotton co-op on the Island, handles almost all of the cotton raised there.

vided for the incorporation and regulation of marketing cooperatives. It can be credited as the act which really awakened the interest of authorities and farmers in the benefits of cooperative action.

From 1925 to 1933, 34 marketing cooperatives were formed under this law. Half of these were tobacco marketing cooperatives which eventually failed. In fact, most of the cooperatives organized during this period failed. Factors responsible for their failure were severe hurricanes of 1928 and 1932, the depression of the 1930's, lack of markets, lack of specific branded products, and lack of good management and of capital. The few cooperatives that survived were completely reorganized. These included the *Cooperativa de Cafeteros de Puerto Rico*, Ponce, and the Puerto Rico Tobacco Marketing Cooperative Association, San Juan.

The largest agricultural marketing cooperatives operating in the Commonwealth were organized during the period from 1934 to 1945. Among the several Federal Agencies which began operations in Puerto Rico during 1934 and greatly helped in the development of modern farmer cooperatives were:

1. The Puerto Rico Reconstruction Administration. This agency operated a cooperative division and made possible the existence of some of the Commonwealth's strongest farmer cooperatives.

2. The Baltimore Bank for Cooperatives, Farm Credit Administration. From 1934 through 1954, the Puerto Rico Branch of the Baltimore Bank for Cooperatives made loans amounting to more than \$42.5 million. The strongest farmer cooperatives are its main clients.

3. Production Credit Association, Farm Credit Administration. This association began with nine scattered offices in 1934. In 1936 it was consolidated as the Puerto Rico Production Credit Association. It finances growers of sugarcane, tobacco, coffee,



Grading tobacco at the Puerto Rico Tobacco Marketing Cooperative Association, San Juan. Tobacco is one of the principal export crops in Puerto Rico.

fruits, and other agricultural products and thus leaves them free to market through cooperative associations if they so desire.

The Insular Government and the Agricultural Extension Service of the University of Puerto Rico also helped greatly in the development of cooperatives that followed.

A study made by the Cooperative Research and Service Division of the Farm Credit Administration in 1936 showed there were 9 farmer cooperatives in Puerto Rico with more than 3,500 members and a total volume of business of approximately \$3.7 million. By 1940, according to annual reports of the Puerto Rico Reconstruction Administration and the Coffee Marketing Cooperative Association, there were 11 farmer cooperatives with 6,505 active members, a capital investment of \$6.4 million and a total volume of business of \$5.3 million. These consisted of 1 each of associations marketing tobacco, cotton, coffee, and fruits; 1 purchasing farm supplies; 2 marketing sugarcane; and 4 marketing vegetables.

During the 1920-45 period, a total

Table 18.—Farmer cooperatives registered in Office of Executive Secretary of Puerto Rico under Law No. 70 from 1920 to 1945, inclusive, and under Law No. 291 from June 30, 1947, to April 30, 1954

Principal type of business	Number of cooperatives under Law No. 70			Number of cooperatives under Law No. 291		
	Registered	Dis-solved	In existence in 1945	Registered ¹	Dis-solved	In existence in 1954
Marketing.....	60	44	16	18	3	15
Purchasing.....	1	.....	1	1	0	1
Mixed vegetables ².....	.....	.....	.....	3	2	1
Farm credit.....	.....	.....	.....	6	0	6
Agricultural producers.....	12	12	0	.....	.....	.....
Service.....	1	.....	1	4	1	3
Fishing.....	2	2	0	.....	.....	.....
Federations.....	.....	.....	.....	1	0	1
Total.....	76	58	18	33	6	27

¹ Includes all of those in existence in 1945 which were required to reincorporate under Law No. 291.

² Operates both as a consumer and a marketing cooperative.

of 76 cooperatives were organized, with only 18 remaining in operation in 1945. (See table 18.)

Up to 1945, the existing legislation pertaining to cooperative associations

failed to help in fostering the development of cooperatives in Puerto Rico or to insure their efficient operation. Prior to this time, instead of a single law, there were several laws with con-

Table 19.—Membership, type of service, volume of business, and net worth of farmer cooperatives in Puerto Rico, 1952–53

Type of association	Number of associations	Number of—		Volume of business	Net worth
		Members	Patrons		
Tobacco.....	3	21, 594	4, 823	\$5, 743, 825	\$1, 267, 739
Coffee.....	1	2, 913	539	9, 291, 383	1, 254, 730
Sugar.....	2	2, 380	2, 182	8, 338, 687	2, 884, 003
Cotton.....	1	5, 585	3, 734	363, 707	150, 377
Citrus.....	1	154	95	102, 160	34, 112
Poultry.....	1	24	24	136, 046	12, 559
Farm supplies.....	1	436	254	1, 681, 889	400, 357
Vegetable and feed crops...	¹ 7	1, 717	1, 251	404, 091	125, 972
Farm credit.....	² 5	2, 150	1, 966	499, 527	204, 389
Farm service.....	³ 5	85	85	6, 657	1, 044
Total.....	27	37, 038	14, 953	26, 567, 972	6, 335, 282

¹ One association had not started operations.

² One association had not started operations and another had not started organization.

³ Two associations were inactive and two were raising capital funds.

flicting purposes. To correct these deficiencies and to supply more adequate provisions, Law No. 291, The General Cooperative Act of Puerto Rico, was enacted and approved in 1946.

Under the new law, all existing cooperatives registered in Puerto Rico under previous laws had to reincorporate. Practically all the farmer cooperatives complied and amended their Articles of Incorporation and bylaws to meet the requisites of the new law.

During the period from June 30, 1947, to April 30, 1954, a total of 33 cooperatives registered under this law. Of these, 27 were still active in 1954. (See table 18.) Fifteen new cooperatives thus were formed during this period as 18 of the 33 were existing associations which reincorporated under the new law.

Do Considerable Business

Active associations had a total of 37,038 members, with 14,953 or about 40 percent active patrons in 1952-53 (table 19). These are the latest figures available.

The volume of business handled by the active associations in 1952-53 totaled more than \$26.5 million. Every one of the 5 older associations handled over \$1 million of business and together they accounted for over \$24 million, or about 90 percent of the total volume. They consisted of 1 tobacco, 1 coffee, 2 sugar marketing cooperatives, and 1 farm supply purchasing association.

Each of the organizations operates from a central office except the following: (1) The Puerto Rico Tobacco Marketing Cooperative Association operates receiving and distributing district warehouses at strategic points in different municipalities; (2) *Cooperativa de Cafeteros de Puerto Rico* also operates district warehouses; and (3) The Puerto Rico Cotton Growers Marketing Cooperative, Arecibo, operates a cotton gin in the municipality of Isabela.



Cooperativa Cafeteros de Puerto Rico handles about one-third of the Island's coffee crop.

Sociedad Agricolas Cooperativa, San Juan, the principal farm supply cooperative, handles feed, fertilizer, seed, spray materials and equipment, small tools and hardware, poultry supplies, and miscellaneous items. It operates on a centralized retail basis, serving mainly the northern and northeastern parts of the Commonwealth. The southern and southwestern parts receive supplies through *Cafeteros de Puerto Rico*. The Puerto Rico Tobacco Marketing Cooperative Association also handles substantial quantities of supplies. While data on total supply volume are not available, it probably totaled between \$2.5 and \$3 million in 1953-54.

Table 20 shows the extent of cooperative marketing in Puerto Rico. Cooperatives handle practically all the cotton; and about one-third each of the tobacco, coffee, and citron production. There are no complete data on such food products as plantains, tanniers, dasheen, and yams handled by cooperatives.

The present financial condition of the farmer cooperatives in Puerto Rico varies considerably. The older ones which own extensive facilities are almost debt free and the increase in the equities of their members reflects favorable changes in their attitudes.

Table 20.—Total production and volume of selected farm products handled by cooperatives in Puerto Rico, 1952–53

Crop	Units	Total production	Volume handled by cooperatives		
			Number of co- operatives	Quantity	Percent of pro- duction
Sugarcane	Tons	10, 170, 796	2	644, 262	6. 3
Tobacco	Cwts	343, 250	3	116, 745	34. 0
Coffee	Cwts	174, 178	1	63, 442	36. 4
Poultry	Cwts	126, 915	1	372	. 3
Pigeon peas	Cwts	56, 212	1	2, 552	4. 5
Citron	Cwts	¹ 36, 000	1	12, 179	33. 8
Cotton	Cwts	¹ 20, 000	1	19, 789	98. 9

¹ Estimated.

Source: Department of Agriculture and Commerce of Puerto Rico, Division of Agricultural Economics.

The new organizations still lack sufficient capital, able management, and necessary facilities. Total assets of 22 associations at the close of their 1952–53 fiscal year amounted to almost \$14.6 million and their members' equities amounted to about \$6.3 million. Total liabilities, of which almost 50 percent are long-term obligations, amounted to a little less than \$8.3 million.

The four larger marketing associations in volume also had the greatest net worth. Each ranged from \$1 million to \$1.5 million. The purchasing association had a net worth of \$400,000.

The development of farm credit associations and the organization of marketing associations for food crops such as plantains, yams, sweetpotatoes and

tanners are being fostered and helped by the Government of Puerto Rico in an attempt to solve the farmers' credit problem and facilitate the orderly marketing of their farm food crops.

The service and efforts of the Farm Credit Administration which includes the Puerto Rican Branch of the Baltimore Bank for Cooperatives, the Production Credit Association and the Puerto Rican Branch of the Intermediate Credit Bank; the Agricultural Production and Distribution Program; the Office of the Inspector of Cooperatives; the Bureau of Cooperative Education; and the Agricultural Extension Service of the University of Puerto Rico all have an essential role in the development of farmer cooperatives in the Commonwealth.

Special Organizations Serve Cooperatives

by John H. Heckman

EARLY in the development of farmer cooperatives alert leaders realized many problems extended beyond the sphere of activity of individual associations. Just as single farmers found advantages in group action, so associations of farmers could work together to the members' mutual benefit.

Cooperative leaders soon realized,

also, that responsibility for informing the general public about the economic value of cooperation, beyond such information as might be provided by National and State educational institutions, rested primarily upon the cooperatives themselves. Cooperatives have approached this problem in several ways depending upon their opportunities to render service.

Early Organizations Appear

REPRESENTATIVES of farmer cooperatives have fostered and advanced cooperative development through State and National associations or councils for more than 50 years. A State association to promote the interests of farmers' elevators was formed at Springfield, Ill., in 1903. This action was followed by setting up similar associations in other grain producing States. Six of these State associations met at Minneapolis in June 1912³⁸ and organized the National Council of Farmers Cooperative Associations.

One of the early presidents of the Council set forth its activities as follows:

"All matters of interstate or national importance are handled by the National Council. Its officers have made several trips to Washington, D. C., to urge, and assist as far as possible, in securing the enactment of legislation, and preventing the enactment of unfavorable legislation, to ap-

pear before the Interstate Commerce Commission on behalf of the elevator companies, when necessary, and on several occasions we have carried our troubles to the Secretary of Agriculture. We opposed, to the very extent of our power, the efforts of the railroads to advance rates on grain. Our efforts were successful and this alone has saved the farmers millions of dollars."³⁸

This early national council was primarily interested in the welfare of farmers' elevators since associations of grain elevators were the most important segment of cooperative development at that time. At the annual convention of the National Council at Chicago in March 1920, the name of the association was changed to the Farmers National Grain Dealers Association. This national no longer exists. It was replaced by an entirely new organization, the National Federation of Grain Cooperatives in February 1939.

Marketing Delegates Form Council

A 3-day conference held in Washington, D. C., in December 1922, drew

³⁸ Unpublished data in files of Farmer Cooperative Service.



Accent on youth is a policy of the American Institute of Cooperation at its summer sessions. Here some young men from Connecticut view the AIC exhibit at 26th annual session, held at Cornell University, Ithaca, N. Y., in 1954.

marketing association delegates and visitors from 30 States and also from Canada and Denmark. President Harding sent greetings to the first session in which he said: "I know of no single movement that promises more help toward the present relief and the permanent betterment of agricultural conditions than this one."

Cotton associations and fruit and vegetable associations were active at the conference, having 27 and 26 representatives, respectively. Tobacco interests had 17 spokesmen; dairy products, 16; grain and rice, 9. Livestock and nut associations had three representatives each. Delegates from the American Farm Bureau Federation and the Farmers Educational and Co-operative Union of America also were present.

A tangible result of this national gathering of cooperating farmers was the creation by unanimous vote on the last day of the conference of the National Council of Farmers Cooperative Marketing Associations. The conference chose an executive committee of 15 and charged them with setting up the new organization. It selected a

secretary and decided to open an office in Washington, D. C.³⁹

The executive committee of the National Council worked out and signed an organization agreement. The council's purposes were: (1) To establish contacts between cooperatives; (2) to supply crop information; (3) to develop national publicity; (4) to establish Federal contact for members; (5) to assist in legislative problems; and (6) to supply farm groups reliable information.⁴⁰

The National Council held annual conferences in Washington, D. C., in 1924, 1925, and 1926. Strong differences of opinion marked the 1926 conference. The Council had made progress during that year but some of its member cooperatives had not fared

³⁹ Minutes of first annual session, National Council of Farmers Cooperative Marketing Associations, Washington, D. C. December 11-16, 1922. 104 pp. [Mimeographed.] p. 96.

⁴⁰ Printed copy of agreement not dated. See printed proceedings of the Second Conference held under the auspices of the National Council of Farmers Cooperative Marketing Associations, Washington, D. C. 100 pp. p. ii, iii, and iv.

well. They had expected cooperative commodity marketing to bring prosperity to farmers despite unfavorable economic conditions. Even cooperation was unable to accomplish the impossible, however, and financial support for the Council program dwindled.

At a meeting of the Council's executive committee held in Chicago on October 21, 1926, the chairman reported suspension of the National Council as of July 20. The financial statement indicated a deficit. The secretary tendered his resignation and the Washington office was closed.

Influential National Organizations Form

ABOUT the time this first National Council suspended operations, two dynamic new national associations appeared on the cooperative scene. Both have headquarters in the Nation's Capital and devote their efforts to improving the situation of the Nation's farmers.

American Institute of Cooperation

The American Institute of Cooperation was incorporated on January 22, 1925, under the laws of the District of Columbia. On March 13, 1945, it was reincorporated under the laws of the Commonwealth of Pennsylvania. The purpose of the present organization is "to promote research and disseminate information relating to the science of cooperation with particular reference to the economic, sociological and legal phases."⁴¹

The Institute began with 16 participating organizations as members. The 21 trustees who were responsible for the general management and control of affairs of the corporation could designate additional organizations for membership. Each participating organization had the right to designate not more than five persons to act as members of the General Assembly. No organization, however, was entitled

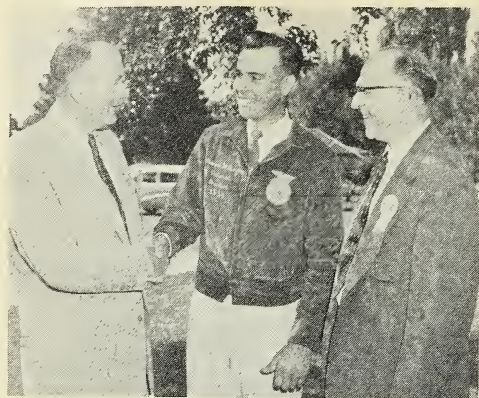
to more than one vote. Under present bylaws membership consists of both individuals and organizations and the principle of one vote per member is still in effect. The number on the board of trustees is now set at 50.

The first bylaws provided that the Institute should consist of the Departments of (1) Economics, (2) Sociology, (3) Law, and such other departments as might be established. The period, as well as time and place of the course of instruction in each of the departments, was determined by the trustees. Furthermore, the trustees had the authority to confer degrees, including honorary degrees.

The first session of the Institute was held in Philadelphia in cooperation with the University of Pennsylvania. It opened July 20, 1925, and continued for 4 weeks with courses in cooperation as a special feature. These courses with outstanding teachers as instructors continued to be a special feature of the early institutes. Those who completed the courses were given credits acceptable toward college or university degrees.

Succeeding summer sessions have been held on land-grant college campuses throughout the country. The most recent sessions have been held at the University of Massachusetts (1948), the University of Wisconsin (1949), Oklahoma A. & M. College (1950), Utah State Agricultural College (1951), Michigan State College (1952), University of Missouri (1953), Cornell University (1954), and Purdue University (1955).

⁴¹For more detailed information see *American Cooperation*, published following each annual session of the American Institute of Cooperation. Copies of these volumes can be found in many university and college libraries.



J. K. Stern, president of the American Institute of Cooperation, welcomes David Boyne, president of National Association of Future Farmers of America, to 1954 session of Institute, while R. C. S. Sutliff of the New York State Department of Education looks on.

Each of the first 4 sessions of the Institute continued 27 days. The fifth year the Institute was in session 11 days and the sixth, 8 days. The seventh session held at Kansas State College, Manhattan, Kans., in 1931, continued for 4 weeks. Each of the sessions for the years 1932-34, inclusive, lasted 6 days.

During the period 1935-49, the annual sessions were usually for a period of 5 days. Beginning with 1950, the annual sessions were shortened to 4 days each. Generally these shorter sessions have been preceded or followed by workshop meetings for extension leaders, State Council secretaries, and educational directors from farmer cooperatives.

The 17th meeting at Atlanta in January 1942 was officially the 1941 session. No sessions were held for 1942-45. Shortly after V-J Day a collection of papers summarizing the wartime problems of farm cooperatives, explaining how these were met, and appraising the postwar situation were published in one volume. Proceedings of the various annual sessions have been published as yearbooks under the title, "American Cooperation."

The Institute, with headquarters in Washington, serves as a clearinghouse

for information and as a means of contact among cooperators, educators, business and professional groups, labor leaders, and State and Federal officials. It is also striving to develop closer working relationships between cooperatives and general farm organizations. It is working with educational leaders of elementary schools, high schools, and vocational agriculture to provide better opportunities for students to learn about cooperation—its advantages, its possibilities, and its limitations. It promotes research in these areas and in the field of cooperative law. Much of this research is being carried on by leading universities with advice and assistance from the Institute.

In response to a definite demand, the Institute established a speaker service. It assembles and makes available materials for talks and lectures. The Institute places emphasis on small meetings with outstanding leaders in agriculture, education, labor, business, and religion participating in roundtable discussions. It holds meetings of this kind in cooperation with various groups in many parts of the country.

The Institute is one of the primary sources for disseminating cooperative information. One of its most important functions is the stimulation of research and educational work on agricultural cooperation in the United States. It has a particularly active program among farm youth.

The Institute advises with cooperative officials regarding their operating problems in an effort to help them improve their services to their members.

National Council of Farmer Cooperatives

In 1929, at the midsummer meeting of the American Institute of Cooperation held at the University of Louisiana, Baton Rouge, cooperative leaders created a new organization known as the National Chamber of Agricultural Cooperatives. In December 1929, at

a meeting of the organizing board of directors in Chicago, the name was changed to National Cooperative Council. This name was retained until the annual meeting in 1940. Then in order to indicate clearly the association's identity with agricultural cooperatives, its name was changed to National Council of Farmer Cooperatives.⁴²

The organization meeting held in Chicago in 1929 decided to establish a Washington office. In its first year the Council listed as members 18 well-known cooperatives.

By mutual understanding, the National Council and the Institute do not duplicate activities. This policy is logical as there is a strong duplication in membership and directors. Thus, it is possible for each to work in the field in which it can be most effective.

Objectives of the National Council of Farmer Cooperatives have been stated as follows:

1. To promote actively and persistently the interests of farmer cooperatives.
2. To impress on various Government and other agencies the importance, value and potentialities of the cooperatives in agriculture.
3. To provide an avenue through which cooperatives may be quickly advised of current developments significant to them.
4. To serve as a forum or conference body through which better understanding and bonds of friendship may develop.

Since the present Council was organized in 1929, the number of members has increased from fewer than 20 to 122 direct and associate members in 1955. Most of these member organizations are federated associations which serve as central agencies for smaller local cooperatives. Thus through its affiliates the National

Council represents some 5,000 cooperatives which serve about 3 million farm families throughout the Nation.

Member associations of the National Council are organized into 17 commodity or functional divisions as follows: Cotton, Dairy, Citrus and Subtropical Fruits, Deciduous Fruits, Processed Fruits and Vegetables, Miscellaneous Fruits and Vegetables, General Service, Grain and Seed, Livestock, Nut, Potato, Poultry, Purchasing, State Councils, Tobacco, Wool, and Miscellaneous.

The State Councils Division is the connecting link between the National Council and State councils.

At the annual meeting each year, the voting members of the Council review the economic situation, modify existing policies, and formulate new policies. The program for the new year is usually presented in the form of resolutions. These definitely indicate the Council's position on subjects uppermost in the minds of farmers.

The National Council issues several publications. Among these is the *Blue Book*, issued early in the year and carrying current information about the Council, its officers, members, and program for the ensuing months. This official yearbook has appeared regularly since 1935.

The National Council also issues a mimeographed weekly letter entitled *Washington Situation*. This provides a general information service to members. From time to time the Council issues special publications and special news releases. On suitable occasions the Council participates in radio programs.

During World War II the National Committee for Farm Production Supplies issued weekly bulletins from the Council's office.

The Cooperative League of the U. S. A.

The Cooperative League of the U. S. A. is a national federation of

⁴² Blue Book, National Council of Farmer Cooperatives. Washington, D. C. February 1940. p. 11-12.

consumer-purchasing cooperatives of all types, including farm supply cooperatives. Established in 1916, the League has offices in Chicago, Ill., and Washington, D. C.

It provides a news service for regional cooperative newspapers; publishes and distributes literature, and carries on a public relations program for better understanding of cooperatives. It also conducts regular conferences and institutes for training cooperative leaders and personnel.

Others

In addition to these national organizations representing all types of

cooperatives, many of the associations handling one particular product have joined together into national organizations.

Among these are: National Milk Producers Federation, Washington, D. C.; National Federation of Grain Cooperatives, Washington, D. C.; National Live Stock Producers Association, Chicago, Ill.; National Poultry Producers Association, Kansas City, Mo.; and National Rural Electric Cooperative Association, Washington, D. C.

Most of these associations are discussed in more detail in this publication in the sections discussing the cooperatives handling the specific product or performing the service.

State Councils Organize ⁴³

FARMER cooperatives gain certain advantages from coordinating their efforts and setting up overall organizations. In this way they are able to solve mutual problems and increase the benefits of agricultural cooperation. These organizations also provide a point of contact for official, public and private agencies which deal with agriculture.

The first steps toward organizing State councils of farmer cooperatives were taken a little more than a third of a century ago. By 1955 the cooperatives of 29 States were operating some type of statewide organization. One State, Wisconsin, has two organizations which function simultaneously. The cooperatives in six New England States have formed a New England Cooperative Council. This council sponsors an annual institute for the cooperatives of that region.

Most of these organizations bear the term "council," "association," or "federation" in their titles. Notable exceptions are the Iowa Institute of Cooperation and the Agricultural Conference Board of Virginia.

Among the earliest councils set up

were those in California, Oregon, and Wisconsin. The Agricultural Legislative Committee of California was formed in 1919, and in 1933 became the Agricultural Council of California. The Agricultural Cooperative Council of Oregon was organized in 1921. The Wisconsin Council of Agriculture Co-operative began operating in 1926.

These State cooperative councils sponsor programs of varying intensity. The State councils in California, Colorado, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Carolina, Ohio, Texas, South Dakota, Vermont, Washington, and Wisconsin have one or more full-time employees.

In the remaining States which have active statewide councils, most of the service work is done by a part-time secretary. This officer is most frequently one of the marketing specialists connected with the State Agricultural Extension Service.

In four States, the secretaryship of

⁴³ For a more detailed discussion of the work of these State councils, see General Report, State Councils and Associations of Farmer Cooperatives, 1956, Farmer Co-operative Service.



By working with other agencies, State cooperative councils through educational efforts help others to better understand the cooperative way. A Field Day in Ohio included a pageant on cooperatives, developed by Ohio Council of Farmer Cooperatives and Ohio State University.

the council is held by an officer of one of the farmer cooperatives or farm organizations of that area.

Early State cooperative councils were concerned largely with legislative problems. But as cooperatives increased in number and importance, leaders saw the need for developing smooth working relationships among themselves and with other organizations. Thus, the State councils are enlarging their memberships, providing more adequate budgets, and expanding their programs. Today the objectives of State councils and associations of farmer cooperatives may be summarized briefly as follows:

1. To promote and foster the welfare of farmer cooperative associations by bringing their leaders together for study, discussion, and solution of their mutual problems.
2. To assist and encourage the organization of farmer cooperatives in every field.
3. To gather and disseminate information pertaining to development of farmer cooperatives, their functions, their obligations and

their contribution to the welfare of the American people.

4. To sponsor and support constructive legislation which will be helpful to farmers and to farmer cooperatives and to oppose measures which might be unfavorable.
5. To assist farmer cooperatives, Federal and State agencies, extension and vocational groups, colleges, and other agencies in promoting appropriate educational programs.

State councils or associations of cooperatives have similar objectives, and differ only in methods of functioning. Some limit their membership to farmer cooperative business associations while others include general farm organizations. Several limit their membership to statewide or federated cooperatives. A few have direct members only. A majority have provisions for associate or advisory members.

State councils differ considerably in their methods of financing their activities. Some carry on broad programs, have rather large budgets, and maintain year-round staffs. Others have

limited budgets but maintain close working relationships with extension services, educational agencies, or farm organizations upon which they depend for assistance in carrying on their work.

To keep in touch with each other in matters of national scope, most councils have become direct or associate members of the National Council of

Farmer Cooperatives and the American Institute of Cooperation. By 1955, 27 of the councils were direct members and 2 were associate members of the National Council of Farmer Cooperatives.

In a few States, county councils have been set up to promote various interests of cooperatives in the counties.

Appendix

Appendix Table 1.—*Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³*

Geographic division and State	Beans and peas (dry edible)				Cotton and products				Dairy products			
	Estimated number of associations handling ⁴		Estimated value of sales ⁵		Estimated number of associations handling ⁴		Estimated value of sales ⁵		Estimated number of associations handling ⁴		Estimated value of sales	
	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000
UNITED STATES.....	70		40,163	33,177	568		420,985	375,449	2,112		2,851,102	2,418,315
New England.....									39		127,005	127,005
Maine.....									2	4	14,792	14,792
New Hampshire.....									5	8	12,058	12,058
Vermont.....									18	23	61,115	61,115
Massachusetts.....									8	11	15,814	15,814
Rhode Island.....									1	3	3,361	3,361
Connecticut.....									5	7	19,865	19,865
Middle Atlantic.....	24		5,061	3,154					120		552,129	422,160
New York.....	24	24	5,061	3,154					88	96	391,935	261,966
New Jersey.....									1	2	25,619	25,619
Pennsylvania.....									31	35	134,575	134,575
East North Central.....	25		7,466	6,359					615		889,259	799,573
Ohio.....									36	40	118,002	115,819
Indiana.....									21	30	75,312	68,763
Illinois.....									65	73	122,564	109,435
Michigan.....	25	25	7,466	6,359					46	53	150,316	138,531
Wisconsin.....									447	452	423,065	367,025
West North Central.....					2		2,087	2,087	1,100		614,532	538,062
Minnesota.....									543	546	310,852	242,170
Iowa.....									254	258	135,921	134,282
Missouri.....					2	4	2,087	2,087	122	124	59,778	59,778
North Dakota.....									39	42	17,437	13,887
South Dakota.....									54	54	15,752	15,752
Nebraska.....									53	53	28,418	26,464
Kansas.....									37	41	46,374	46,029

South Atlantic.....					14				20,316	15,968	61			136,633	136,633
Delaware.....													1	4,191	4,191
Maryland.....												4	3	50,578	50,578
District of Columbia.....													1	(1)	(1)
Virginia.....												16		33,565	33,565
West Virginia.....												2	5	10,871	10,871
North Carolina.....					1			1	7,064	7,064	14			15,922	15,922
South Carolina.....					1			1	(Ginning)		2			530	530
Georgia.....					11			11	13,117	8,769	19			14,977	14,977
Florida.....					1			1	135	135	3			5,999	5,999
East South Central.....					77				109,262	101,223	16			50,191	48,227
Kentucky.....														21,583	21,583
Tennessee.....					3			3	2,729	2,729	4		4	20,804	18,840
Alabama.....					6	1		7	14,743	9,852	8		1	2,222	2,222
Mississippi.....					68	2		70	91,790	88,642	2			5,582	5,582
West South Central.....					433				188,028	160,934	38			105,668	105,263
Arkansas.....					40	2		42	21,703	20,676	4		2	5,907	5,907
Louisiana.....					5	3		8	7,989	6,902	4			6,817	6,817
Oklahoma.....					64			64	19,906	17,940	19		4	23,673	23,268
Texas.....					324	1		325	138,430	115,416	11			69,271	69,271
Mountain.....	16								19,422	18,171	46			108,542	71,474
Montana.....	1													3,180	2,686
Idaho.....	3	1									7		2	64,171	31,167
Wyoming.....	2	1									14		3	2,682	2,682
Colorado.....	9	1									5			18,585	15,015
New Mexico.....	1										7		2		
Arizona.....														4,801	4,801
Utah.....											2			14,487	14,487
Nevada.....											10		1	636	636
Pacific.....	5								81,870	77,066	77			267,143	169,918
Washington.....	1													83,347	48,509
Oregon.....						1					20		1	51,877	31,877
California.....	4					5			81,870	77,066	29		1	131,954	89,532

See footnotes at end of table.

Appendix Table 1.—*Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³—Continued*

Geographic division and State	Fruits and vegetables				Grain, soybeans, meal, and oil				Livestock and livestock products			
	Estimated number of associations handling ⁴		Estimated value of sales		Estimated number of associations handling ⁴		Estimated value of sales ⁵		Estimated number of associations handling ⁴		Estimated value of sales	
	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head-quarters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000
UNITED STATES.....	810	.....	947,329	589,556	2,748	.....	2,415,778	1,584,885	671	.....	1,576,874	1,476,120
New England.....	17	.....	31,111	26,433	3	.....	568	568	5	.....	769	769
Maine.....	5	.....	15,818	15,818	1	.....	140	140	1	.....	4	4
New Hampshire.....	2	.....	394	394	.....	.....	.....	.....	.....	.....	.....	.....
Vermont.....	2	.....	1	1	.....	.....	.....	.....	.....	.....	.....	.....
Massachusetts.....	4	.....	13,886	9,208	.....	.....	.....	.....	.....	.....	144	144
Rhode Island.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	588	588
Connecticut.....	4	.....	1,012	1,012	2	.....	428	428	1	.....	33	33
Middle Atlantic.....	55	.....	55,179	52,312	134	.....	19,440	13,309	12	.....	33,019	32,070
New York.....	26	.....	18,010	16,447	89	.....	12,894	8,393	4	.....	21,407	20,458
New Jersey.....	14	.....	15,127	13,823	10	.....	2,598	2,132	3	.....	4,302	4,302
Pennsylvania.....	15	.....	22,042	22,042	35	.....	3,948	2,784	5	.....	7,310	7,310
East North Central.....	79	.....	30,872	27,514	671	.....	714,616	475,877	185	.....	651,057	604,037
Ohio.....	15	.....	9,846	9,846	184	.....	152,681	98,994	15	.....	186,012	186,012
Indiana.....	6	.....	6	189	97	.....	168,060	97,904	8	.....	102,557	102,557
Illinois.....	31	.....	2,008	1,784	264	.....	354,649	255,278	39	.....	239,782	200,190
Michigan.....	35	.....	8,622	8,072	81	.....	34,993	19,468	12	.....	41,877	36,815
Wisconsin.....	12	.....	10,207	7,623	45	.....	4,233	4,233	111	.....	80,829	78,752
West North Central.....	38	.....	6,400	6,400	1,545	.....	1,179,514	772,836	377	.....	546,942	494,537
Minnesota.....	18	.....	3,179	3,179	242	.....	197,366	136,631	200	.....	158,623	116,042
Iowa.....	3	.....	965	965	284	.....	218,582	150,312	65	.....	137,585	136,356
Missouri.....	11	.....	917	917	103	.....	50,000	33,717	39	.....	92,978	88,390
North Dakota.....	4	.....	792	792	304	.....	245,741	157,017	54	.....	24,860	21,604
South Dakota.....	.....	.....	.....	.....	165	.....	113,469	76,470	6	.....	37,041	36,293
Nebraska.....	1	.....	360	360	213	.....	117,165	70,218	7	.....	72,246	72,246
Kansas.....	1	.....	187	187	234	.....	237,191	148,471	6	.....	23,609	23,609

Appendix Table 1.—Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³.—Continued

Geographic division and State	Nuts					Poultry products					Rice				
	Estimated number of associations handling ⁴			Estimated value of sales ⁵		Estimated number of associations handling ⁴			Estimated value of sales		Estimated number of associations handling ⁴			Estimated value of sales ⁵	
	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶
UNITED STATES	85			7 90,288	7 55,216	696			380,281	336,218	57			176,423	135,654
New England						19			27,708	27,708					
Maine						3		3	130	130					
New Hampshire						2	1	3	2,931	2,931					
Vermont															
Massachusetts						6		6	13,103	13,103					
Rhode Island						2		2	1,676	1,676					
Connecticut						6		6	9,868	9,868					
Middle Atlantic						33			78,397	78,375					
New York						11	2	13	21,270	21,248					
New Jersey						11	1	12	36,315	36,315					
Pennsylvania						11	1	12	20,812	20,812					
East North Central						74			39,626	32,947					
Ohio						14		14	22,635	18,789					
Indiana						11		11	2,920	2,920					
Illinois						7	2	9	1,644	950					
Michigan						18	1	19	3,070	3,048					
Wisconsin						24	2	26	9,357	7,240					
West North Central	22			31	31	434			77,885	60,003					
Minnesota						120	2	122	27,192	23,375					
Iowa						29		29	7,866	7,866					
Missouri				31	31	165	2	167	23,618	10,541					
North Dakota	22		22			19	1	20	1,423	1,315					
South Dakota						29		29	5,286	5,286					
Nebraska						41	1	42	6,239	5,359					
Kansas						31	1	32	6,261	6,261					

South Atlantic.	15		13, 431	12, 412	35		47, 082	47, 082	1		150	150
Delaware					1	1	167	167				
Maryland					3	3	2, 200	2, 200				
District of Columbia	1	1	3, 854	3, 854	10	10	21, 038	21, 038				
Virginia					6	2	5, 592	5, 592				
West Virginia	1	1	(⁶)	(⁶)	6	6	8, 383	8, 383				
North Carolina	1	1	16	16	3	1	179	179				
South Carolina	11	11	9, 419	8, 478	7	7	9, 212	9, 212				
Georgia	1	1	142	64	3	3	311	311	1	1	150	150
Florida												
East South Central	2		281	121	17		3, 513	3, 513	1		500	500
Kentucky					1	1	61	61				
Tennessee					2	2	24	24				
Alabama	1	1	279	119	9	9	3, 121	3, 121				
Mississippi	1	1	2	2	5	5	307	307	1	1	500	500
West South Central	14		1, 211	819	39		5, 928	5, 871	49		127, 989	87, 220
Arkansas	1	1	1	1	4	1	2, 817	2, 760	16	16	29, 579	29, 579
Louisiana		1	392	157						16	23, 553	13, 391
Oklahoma	7	7	457	457	16	16	448	448				
Texas	6	1	361	204	19	19	2, 663	2, 663	17	17	74, 827	44, 250
Mountain					19		25, 233	20, 350				
Montana					2	2	56	56				
Idaho					2	2	2, 412	2, 412				
Wyoming					2	1	36	36				
Colorado					6	1	2, 693	1, 318				
New Mexico					1	1	(⁶)	(⁶)				
Arizona												
Utah					5	1	19, 927	16, 489				
Nevada					1	1	40	40				
Pacific	32		75, 334	41, 833	26		74, 909	60, 369	6		47, 784	47, 784
Washington	1	1	304	152	4	2	18, 509	16, 110				
Oregon	6	6	5, 190	2, 306	5	3	5, 163	3, 803				
California	25	25	69, 840	39, 375	17	1	51, 237	40, 456	6	6	47, 784	47, 784

See footnotes at end of table.

Appendix Table 1.—*Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³*—Continued

Geographic division and State	Sugar products					Tobacco					Wool and mohair					
	Estimated number of associations handling ⁴			Estimated value of sales		Estimated number of associations handling ⁴			Estimated value of sales ⁵		Estimated number of associations handling ⁴			Estimated value of sales ⁵		
	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	
UNITED STATES	64			119,895	119,895	30			168,307	168,307	250			39,398	35,465	
						1			1,945	1,945	3			230	230	
											1		1	13	13	
												1	1	8	8	
												1	1	5	5	
						1		1	1,023	1,023	2		2	9 204	9 204	
							1	1	922	922						
						1			104	104	29			518	518	
			2	590	590							1		76	76	
			2	590	590											
						1		1	104	104	28		1	442	442	
		12		8,485	8,485	3			4,879	4,879	16			5,090	5,090	
		3		618	618	1		2	1,557	1,557	2		2	1,758	1,758	
			3				2	2	863	863	3		4	844	844	
											6		6	730	730	
		8	1	6,744	6,744				2,459	2,459	2	1	3	967	967	
		1		1,123	1,123	2		2			3		3	791	791	
	6		13,614	13,614	1			1,296	1,296	84			14,567	14,038		
	2		2,014	2,014						8		8	2,230	2,230		
	1		4,536	4,536	1		2	1,296	1,296	2		2	90	90		
						1	1			69		69	1,672	1,672		
											4	4	1,679	1,679		
	1		564	564								1	1	6,603	6,603	
	2		6,500	6,500							2	2	668	668		
											1	1	1,625	1,625		

South Atlantic	2	1,818	1,818	15	96,714	96,714	51	2,368	1,809
Delaware				2	1,817	1,817	1	86	86
Maryland				4	12,868	12,868	16	10 974	10 974
District of Columbia				7	62,866	62,866	35	11 1,291	732
Virginia				1	8,709	8,709	1	17	17
West Virginia				3	7,801	7,801			
North Carolina				1	2,084	2,084			
South Carolina				3					
Georgia	2	1,818	1,818	1					
Florida				1					
East South Central	1	24	24	9	63,369	63,369	12	1,343	870
Kentucky									
Tennessee	1	24	24	6	52,874	52,874	5	963	490
Alabama				3	10,495	10,495	5	324	324
Mississippi									
West South Central	9	12,160	12,160				2	56	56
Arkansas									
Louisiana							7	977	977
Oklahoma	9	12,160	12,160				2	71	71
Texas							1	130	130
Mountain	28	47,042	47,042				4	260	260
Montana	6	6,476	6,476				1	516	516
Idaho	7	5,263	5,263				1		
Wyoming	4	5,725	5,725				1	13,944	11,572
Colorado	3	25,881	25,881				16	2,728	1,651
New Mexico							20	1,924	1,924
Arizona							4	3,714	3,714
Utah							4	1,468	1,73
Nevada	8	3,697	3,697				3	270	270
Pacific	4	36,162	36,162				1	622	622
Washington							3	3,000	3,000
Oregon	1	5,500	5,500				1	218	218
California	3	30,662	30,662					361	361
							1	90	90
							1	235	235
							1	36	36

See footnotes at end of table.

Appendix Table 1.—*Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³—Continued*

Geographic division and State	Miscellaneous ¹²			Total farm products marketed			Building material ¹³				
	Estimated number of associations handling ⁴		Estimated value of sales	Estimated number of associations handling ⁴		Estimated value of sales ⁵	Estimated number of associations handling ⁴		Estimated value of sales		
	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Head- quar- ters in out of State	Total in State	Gross	Net ⁶	Head- quar- ters in out of State	Total in State		
						\$1,000	\$1,000			Gross	Net ⁶
UNITED STATES.....	266			7,208		9,292,141	7,385,976	1,159		84,417	55,476
New England.....	2			79		189,349	184,671	7		1,370	1,091
Maine.....				9	2	30,897	30,897	2	3	182	91
New Hampshire.....				9	5	15,397	15,397	1	2	812	779
Vermont.....	1		1	20	7	61,265	61,265		2	14	8
Massachusetts.....				22	3	44,618	39,940	2	2	302	168
Rhode Island.....				2	5	5,037	5,037		1	9	9
Connecticut.....	1		1	16	3	32,135	32,135	2	1	51	36
Middle Atlantic.....	36			481		751,730	607,298	270		7,768	2,637
New York.....	32		32	300	10	478,215	336,729	195	1	4,631	1,573
New Jersey.....		1	1	43	6	83,965	82,195	18	1	602	311
Pennsylvania.....	4	1	5	138	10	189,550	188,374	57	2	2,535	753
East North Central.....	27			1,548		2,370,090	1,983,501	345		31,421	18,640
Ohio.....	5		5	255	7	493,515	433,829	76	1	7,414	4,809
Indiana.....	3		3	130	22	350,846	273,852	91	1	12,006	6,347
Illinois.....	4		4	382	17	721,575	568,565	70	3	5,679	4,346
Michigan.....	6		6	170	11	254,719	220,668	38	2	4,107	1,916
Wisconsin.....	9		9	611	12	549,405	486,587	70	2	2,215	1,222
West North Central.....	121			2,931		2,464,066	1,907,618	335		31,663	27,161
Minnesota.....	16	1	17	958	13	701,976	526,161	58	2	3,863	3,155
Iowa.....	13		13	584	19	505,744	434,606	101	5	11,248	10,480
Missouri.....	82		82	237	14	237,941	201,010	57	2	3,568	1,785
North Dakota.....	3		3	389	10	292,717	196,779	18	2	4,241	4,131
South Dakota.....				223	11	178,715	140,968	31	2	2,673	2,566
Nebraska.....	3		3	272	14	231,612	181,828	47	3	3,946	3,486
Kansas.....	4		4	268	16	315,331	226,266	23	3	2,124	1,556

South Atlantic.....	18					1, 592	1, 592	338					499, 115	438, 591	78				3, 694	1, 177
Delaware.....								12	3	15	6, 963	6, 438								
Maryland.....								25	5	30	60, 712	60, 527			2	1	3	52	52	
District of Columbia.....								1		1										
Virginia.....	1	1	114	114				63	4	67	84, 168	83, 382			6	1	7	2, 090	286	
West Virginia.....	1	1	24	24				50	13	63	23, 061	22, 456			1		1	9	9	
North Carolina.....	6	6	777	777				37	4	41	98, 629	98, 629			49	2	51	1, 050	584	
South Carolina.....	3	4	106	106				13	2	15	13, 158	13, 158			13	1	14	151	151	
Georgia.....	2	2	206	206				50	3	53	61, 233	55, 934			5	1	6	324	77	
Florida.....	5	5	365	365				87	3	90	151, 191	98, 067			2		2	18	18	
East South Central.....	6		305	305				164			266, 965	254, 892			28			835	271	
Kentucky.....								25	13	38	100, 267	99, 080			1		1	2	2	
Tennessee.....								28	5	33	41, 823	39, 859			21		21	596	232	
Alabama.....	3		298	298				26	8	34	24, 760	18, 986			1		1	(*)	(*)	
Mississippi.....	3	3	7	7				85	4	89	100, 115	96, 967			5	2	7	237	37	
West South Central.....	16		1, 311	1, 311				699			716, 485	548, 131			26			1, 725	1, 113	
Arkansas.....	2		666	666				63	9	72	65, 250	63, 750			5	2	7	368	273	
Louisiana.....	1	1	67	67				47	4	51	53, 177	41, 663			2		2	1	1	
Oklahoma.....	3	3	85	85				174	11	185	200, 078	122, 854			15	3	18	1, 131	825	
Texas.....	10	10	493	493				415	9	421	397, 980	319, 864			4		4	225	14	
Mountain.....	12		1, 255	1, 209				344			586, 229	456, 422			32			3, 322	2, 238	
Montana.....	6		386	386				93	14	107	129, 293	83, 147			11	1	12	705	704	
Idaho.....	1	1	316	270				69	13	82	121, 941	85, 221			10	3	13	522	241	
Wyoming.....	1	1	10	10				20	8	28	25, 206	23, 983			1	1	2	33	14	
Colorado.....	1	1	17	17				73	10	83	163, 786	144, 764			6	1	7	712	587	
New Mexico.....								21	9	30	28, 421	27, 026				1	1	12		
Arizona.....	1	1	24	24				10	3	13	30, 720	19, 747			2		2	936	457	
Utah.....	2	2	502	502				55	2	57	82, 643	68, 315			2	2	4	401	235	
Nevada.....								3	2	5	4, 219	4, 219				1	1	1		
Pacific.....	28		27, 641	25, 129				624			1, 448, 142	1, 004, 852			38			2, 619	1, 148	
Washington.....	9		4, 399	4, 021				125	8	133	269, 816	206, 557			12	1	13	729	180	
Oregon.....	12	1	4, 223	2, 089				92	10	102	154, 213	117, 817			16	4	20	1, 024	419	
California.....	7	7	19, 019	19, 019				407	5	412	1, 024, 113	680, 478			10	2	12	866	549	

See footnotes at end of table.

Appendix Table 1.—Estimated business ¹ of farmers' marketing, farm supply, and service associations ² by commodity groups, geographic divisions, and States, 1952-53 ³—Continued

Geographic division and State	Containers ¹³			Farm machinery and equipment			Feed		
	Estimated number of associations handling ⁴		Estimated value of sales	Estimated number of associations handling ⁴		Estimated value of sales	Estimated number of associations handling ⁴		Estimated value of sales
	Head- quar- ters in State	Total in State	Gross \$1,000	Head- quar- ters in State	Total in State	Gross \$1,000	Head- quar- ters in State	Total in State	Gross \$1,000
	Net ⁶ \$1,000			Net ⁶ \$1,000			Net ⁶ \$1,000		Net ⁶ \$1,000
UNITED STATES	1,000		49,757	1,791		114,885	4,238		1,118,087
New England	22		1,982	20		2,557	43		71,710
Maine	2	2	1,758	4	3	1,230	9	11	10,620
New Hampshire	2	2	10	4	6	435	2	4	10,612
Vermont	6	6	4	1	3	18	8	2	10,439
Massachusetts	6	6	126	5	3	478	12	13	8,242
Rhode Island				1	2	1		1	7,961
Connecticut	6	6	84	5	1	395	12	2	22,369
									1,968
									17,899
									15,369
Middle Atlantic	283		2,946	298		15,278	328		282,016
New York	202	202	1,925	207	2	7,889	216	216	134,181
New Jersey	32	33	1,392	24	26	1,035	28	30	51,545
Pennsylvania	49	50	437	67	72	5,724	84	87	96,290
East North Central	120		3,519	497		39,910	927		218,558
Ohio	23	23	720	123	125	11,447	190	193	54,384
Indiana	13	13	145	93	96	8,801	114	2	42,880
Illinois	39	40	1,352	56	60	4,063	274	5	26,713
Michigan	23	23	453	88	93	7,282	131	6	50,256
Wisconsin	22	23	849	137	144	8,317	218	227	29,856
									20,441
									41,182
									29,203
West North Central	90		1,742	532		26,850	1,805		204,563
Minnesota	39	40	737	199	203	7,347	514	517	39,407
Iowa	27	27	260	59	65	3,071	313	8	40,938
Missouri	8	10	45	45	48	1,966	208	1	32,361
North Dakota	4	4	94	64	67	4,735	203	7	77,571
South Dakota	2	2	2	47	3	2,797	166	210	4,548
Nebraska	3	4	588	69	74	3,980	186	162	6,448
Kansas	7	7	20	49	51	2,954	225	5	10,052
									8,730
									25,599
									21,404

South Atlantic										120																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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See footnotes at end of table.

Appendix Table 1.—*Estimated business* ¹ *of farmers' marketing, farm supply, and service associations* ² *by commodity groups, geographic divisions, and States, 1952-53* ³—Continued

Geographic division and State	Fertilizer				Insecticides and fungicides ¹³				Meats and groceries ¹³						
	Estimated number of associations handling ⁴		Estimated value of sales		Estimated number of associations handling ⁴		Estimated value of sales		Estimated number of associations handling ⁴		Estimated value of sales				
	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶	Head- quar- ters in State	Head- quar- ters out of State	Total in State	Gross	Net ⁶
				\$1,000	\$1,000					\$1,000	\$1,000				\$1,000
UNITED STATES.....	3,392			345,631	216,207	1,489			34,750	23,987	892			53,525	45,382
New England.....	39			7,301	7,108	13			1,341	1,260	10			461	461
Maine.....	13	1	14	3,745	3,737	3	3	6	500	482	4		4	133	133
New Hampshire.....	1	1	2	338	338	2	2	4	77	73					
Vermont.....	7	1	8	576	553	2	2	4	118	113	3		3	61	61
Massachusetts.....	10		10	1,401	1,338	6	1	7	423	391	1		1	72	72
Rhode Island.....		1	1	134	128	2	2	2	29	28					
Connecticut.....	8	1	9	1,107	1,014	2	2	4	194	173	2		2	195	195
Middle Atlantic.....	336			40,342	24,945	291			7,287	4,366	11			495	495
New York.....	218	1	219	20,494	12,492	198	1	199	4,076	2,431	5		5	186	186
New Jersey.....	30	1	31	6,154	3,867	26	1	27	1,067	650	3		3	94	94
Pennsylvania.....	88	3	91	13,694	8,586	67	3	70	2,144	1,285	3		3	215	215
East North Central.....	854			98,918	59,875	297			5,899	3,574	218			13,835	11,848
Ohio.....	194	4	198	19,731	13,327	66	1	67	1,169	729	14		14	423	423
Indiana.....	112	1	113	21,068	12,381	66	1	67	1,345	744	8		8	381	381
Illinois.....	201	4	205	28,416	17,693	54	2	56	1,487	976	43		44	1,442	1,441
Michigan.....	128	6	134	11,013	6,798	59	2	61	1,319	815	23		24	3,475	2,664
Wisconsin.....	219	6	225	18,690	9,676	52	4	56	1,579	310	130		132	8,114	6,939
West North Central.....	1,093			65,346	33,948	321			4,277	3,316	532			32,844	26,981
Minnesota.....	335	5	340	14,167	8,757	88	2	90	777	537	229		230	10,586	8,164
Iowa.....	272	7	279	21,660	10,026	49	3	52	1,669	1,573	54		58	1,510	1,224
Missouri.....	189	2	191	20,816	9,953	47	2	49	247	249	133		133	9,197	7,092
North Dakota.....	90	5	95	1,799	976	48	4	52	447	283	26		28	2,823	2,755
South Dakota.....	43	6	49	1,032	478	39	3	42	160	81	15		16	886	817
Nebraska.....	67	5	72	1,772	903	22	2	24	483	411	27		28	3,963	3,422
Kansas.....	97	4	101	4,100	2,855	28	1	29	304	182	48		51	3,879	3,507

South Atlantic	287	40, 231	31, 062	121	1	2	1	3, 286	2, 401	13	1, 014	1, 014
Delaware	9	1, 537	1, 265	---	1	---	1	58	58	---	---	---
Maryland	30	4, 005	3, 432	3	2	---	5	60	60	4	97	97
District of Columbia	---	---	---	---	---	---	---	---	---	---	---	---
Virginia	64	10, 087	7, 528	3	1	---	4	364	35	7	910	910
West Virginia	21	1, 282	1, 009	1	---	---	1	3	3	---	---	---
North Carolina	57	6, 100	4, 965	51	2	53	53	624	539	---	---	---
South Carolina	21	1, 802	937	19	1	20	20	361	361	---	---	---
Georgia	44	5, 805	3, 175	20	1	21	21	524	260	2	7	7
Florida	41	9, 613	8, 751	24	1	---	25	1, 292	1, 085	---	---	---
East South Central	235	50, 590	30, 696	86	---	---	---	2, 146	1, 796	6	81	81
Kentucky	50	4, 785	2, 893	3	---	---	3	12	12	---	---	---
Tennessee	80	10, 521	5, 773	33	1	34	34	187	154	3	22	22
Alabama	36	12, 012	7, 074	19	1	20	20	420	350	1	26	26
Mississippi	69	23, 272	14, 956	31	3	34	34	1, 527	1, 280	2	33	33
West South Central	221	19, 242	14, 180	155	---	---	---	1, 458	1, 333	31	1, 401	1, 215
Arkansas	48	10, 316	7, 451	12	3	15	15	283	236	7	375	375
Louisiana	17	3, 257	2, 491	4	1	5	5	10	10	---	---	---
Oklahoma	72	1, 673	983	29	2	31	31	208	147	14	410	224
Texas	84	3, 996	3, 255	110	---	---	110	957	940	10	616	616
Mountain	70	4, 926	2, 929	47	---	---	---	1, 962	712	37	2, 174	2, 067
Montana	13	360	121	18	2	20	20	155	87	12	520	520
Idaho	22	1, 445	751	6	3	9	9	161	45	4	207	207
Wyoming	2	120	79	---	2	2	2	8	(8)	6	254	242
Colorado	17	1, 087	653	15	1	16	16	727	433	13	1, 132	1, 051
New Mexico	4	418	383	1	---	---	1	50	50	1	4	4
Arizona	4	1, 047	658	2	2	4	4	739	4	---	---	---
Utah	8	448	279	5	2	7	7	121	93	1	57	43
Nevada	---	1	---	---	1	---	1	1	---	---	---	---
Pacific	257	18, 735	11, 464	158	---	---	---	7, 094	5, 229	34	1, 220	1, 220
Washington	57	4, 224	2, 846	45	1	46	46	3, 049	2, 331	11	807	807
Oregon	51	5, 357	3, 710	26	3	29	29	1, 216	935	17	388	388
California	149	9, 154	4, 908	87	2	89	89	2, 829	1, 963	6	25	25

See footnotes at end of table.

Appendix Table 1.—*Estimated business* ¹ *of farmers' marketing, farm supply, and service associations* ² *by commodity groups, geographic divisions, and States, 1952-53* ³—Continued

Geographic division and State	Petroleum products				Seed				Miscellaneous supplies ¹³			
	Estimated number of associations handling ⁴		Estimated value of sales		Estimated number of associations handling ⁴		Estimated value of sales		Estimated number of associations handling ⁴		Estimated value of sales	
	Head- quar- ters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head- quar- ters out of State	Total in State	Gross \$1,000	Net ⁶ \$1,000	Head- quar- ters in State	Total in State	Gross \$1,000	Net ⁶ \$1,000
UNITED STATES.....	2,654		674,940	436,274	3,371		133,992	101,252	4,261		255,617	190,253
New England.....	19		735	692	28		3,605	3,480	52		5,679	5,421
Maine.....	3	6	231	219	5	7	533	528	9	14	1,011	966
New Hampshire.....	1	3	43	38	2	3	948	948	5	9	713	694
Vermont.....	4	6	358	337	7	2	420	405	12	16	938	941
Massachusetts.....	6	7	76	55	7	8	922	881	17	3	2,069	1,959
Rhode Island.....	1	1	2	2	1	1	89	86	1	3	93	89
Connecticut.....	5	6	25	21	7	8	693	632	8	10	835	772
Middle Atlantic.....	121		50,526	30,530	326		18,107	11,877	352		23,603	15,396
New York.....	59	60	22,982	14,457	213	213	8,442	5,689	226	229	11,713	6,737
New Jersey.....	11	12	5,564	2,904	27	28	4,092	1,479	32	34	3,184	1,905
Pennsylvania.....	51	53	21,980	13,169	86	89	7,263	4,709	94	98	8,706	6,754
East North Central.....	630		207,506	134,743	839		35,050	24,241	1,008		74,834	59,282
Ohio.....	111	112	29,036	19,674	191	194	9,050	5,870	200	206	22,146	19,177
Indiana.....	96	97	45,942	32,150	111	111	4,997	3,337	116	121	12,771	9,715
Illinois.....	123	126	76,030	45,116	222	227	9,024	7,271	271	278	13,339	9,609
Michigan.....	94	97	14,190	9,647	118	122	4,373	2,767	112	120	10,129	8,419
Wisconsin.....	206	210	42,308	28,156	197	203	7,606	4,996	309	317	16,449	12,362
West North Central.....	1,227		297,489	192,465	1,211		26,641	20,098	1,769		70,427	49,883
Minnesota.....	247	250	63,579	43,070	325	328	4,621	3,445	468	473	20,847	12,214
Iowa.....	155	160	57,627	36,882	258	263	7,598	5,466	353	362	14,756	12,214
Missouri.....	144	146	28,429	17,921	179	180	9,207	6,572	174	178	13,184	7,765
North Dakota.....	150	154	34,002	21,357	193	196	1,835	1,618	261	267	7,118	5,546
South Dakota.....	125	129	28,881	21,394	119	123	1,028	870	157	164	4,607	3,900
Nebraska.....	183	188	42,719	26,551	48	52	513	389	174	184	4,559	3,701
Kansas.....	223	228	42,252	25,190	89	91	1,839	1,738	182	188	5,356	4,543

Appendix Table 1.—*Estimated business¹ of farmers' marketing, farm supply, and service associations² by commodity groups, geographic divisions, and States, 1952-53³—Continued*

Geographic division and State	Total supplies			Services				Total			
	Estimated number of associations handling ⁴		Estimated value of sales	Estimated number of associations handling ⁴		Estimated receipts ¹⁴	Estimated number of associations doing business in State	Gross business	Net business ⁶		
	Head-quarters in State	Head-quarters out of State	Total in State	Gross	Net ⁶	Total in State					
										Head-quarters in State	Head-quarters out of State
UNITED STATES.....	7,244		2,865,601	4,268		141,525	10,114	12,299,267		\$1,000	\$1,000
New England.....	105		96,741	50		932	151	287,022		274,516	
Maine.....	19	6	19,943	3	2	200	24	51,040	31	50,367	
New Hampshire.....	10	5	13,988	7	2	9	13	29,573	21	29,297	
Vermont.....	23	5	10,769	15	2	17	38	72,231	48	71,873	
Massachusetts.....	30	3	28,238	9		9	44	73,030	49	64,899	
Rhode Island.....	2	4	2,325	2	2	4	8	7,393	9	7,140	
Connecticut.....	21	4	21,478	14	2	16	28	53,755	34	50,940	
Middle Atlantic.....	466		448,368	208		5,881	642	1,205,979		910,596	
New York.....	295	4	215,619	125		2,398	392	696,232	405	480,322	
New Jersey.....	52	4	73,761	37	1	1,667	65	159,393	72	133,144	
Pennsylvania.....	119	8	158,988	46	2	1,816	185	350,354	200	297,130	
East North Central.....	1,481		729,450	927		17,909	2,131	3,117,449		2,490,468	
Ohio.....	243	10	155,520	217	1	5,387	305	654,452	316	547,893	
Indiana.....	129	6	150,336	108	1	3,674	151	504,856	174	375,072	
Illinois.....	456	13	191,088	261	1	4,105	570	916,768	593	697,350	
Michigan.....	193	13	86,197	59,643	110	2,057	239	342,973	258	282,368	
Wisconsin.....	460	14	146,309	231	1	2,686	866	698,400	887	587,785	
West North Central.....	3,076		761,842	1,730		23,971	3,975	3,249,849		2,448,036	
Minnesota.....	934	12	165,931	540		7,803	1,351	875,710	1,351	649,174	
Iowa.....	534	15	160,337	286	6	2,036	718	669,117	747	550,528	
Missouri.....	244	5	164,416	124	1	3,910	286	403,267	301	297,578	
North Dakota.....	402	10	61,642	293	2	3,925	549	358,284	565	242,475	
South Dakota.....	271	10	48,514	148	3	1,811	321	229,040	339	179,647	
Nebraska.....	361	14	72,575	149	3	2,001	414	306,188	437	234,505	
Kansas.....	330	10	88,427	190	5	4,485	357	408,243	378	294,039	
South Atlantic.....	380		229,519	154		14,431	599	743,065		630,301	
Delaware.....	11	2	15,044	5	2	22	15	22,029	19	19,372	
Maryland.....	50	5	37,873	15		258	63	98,843	71	94,005	
District of Columbia.....							1			(¹)	
Virginia.....											
West Virginia.....	88	4	74,868	35		958	138	159,994	144	144,346	
North Carolina.....	24	2	11,142	14		133	72	34,336	84	31,599	
	65	6	34,707	13	1	887	88	134,223	94	129,034	

South Carolina.....	26	28	6,152	5,257	8	1	9	121	34	36	19,431	18,536
Georgia.....	55	58	25,778	11,806	22	---	22	405	81	84	87,416	68,145
Florida.....	61	64	23,955	15,550	42	---	42	11,647	107	112	186,793	126,264
East South Central.....	290	---	112,141	75,205	153	---	---	4,588	377	---	383,694	334,685
Kentucky.....	61	63	24,002	18,736	16	1	17	469	79	91	124,738	118,285
Tennessee.....	91	99	29,067	17,396	24	---	24	505	111	120	71,395	57,760
Alabama.....	41	43	22,550	14,381	21	1	22	451	55	59	47,761	33,818
Mississippi.....	97	102	36,522	24,692	92	2	94	3,163	132	140	139,800	124,822
West South Central.....	624	---	131,820	91,118	598	---	---	28,674	914	---	876,979	667,923
Arkansas.....	66	76	40,676	23,163	54	1	55	2,745	115	130	108,671	89,658
Louisiana.....	19	22	5,330	3,564	18	---	18	783	53	59	59,290	46,010
Oklahoma.....	173	8	32,663	21,643	159	4	163	6,777	207	223	239,518	151,274
Texas.....	366	4	53,151	42,748	367	1	368	18,369	539	551	469,500	380,981
Mountain.....	362	---	97,114	71,973	177	---	---	7,840	542	---	691,183	536,235
Montana.....	137	4	24,703	16,775	62	2	64	1,308	182	197	155,304	101,230
Idaho.....	68	74	20,789	14,906	24	2	26	1,337	106	120	144,067	101,464
Wyoming.....	20	23	4,072	3,127	13	3	16	210	26	32	29,488	27,320
Colorado.....	86	2	20,756	16,509	39	3	42	2,047	112	122	186,589	163,320
New Mexico.....	18	21	3,792	3,505	24	1	25	2,631	30	39	34,844	33,162
Arizona.....	5	2	6,643	3,102	2	---	2	95	12	19	37,458	22,944
Utah.....	27	4	16,157	13,851	13	---	15	212	70	76	99,012	82,378
Nevada.....	1	2	202	198	---	---	---	---	4	6	4,421	4,417
Pacific.....	460	---	253,606	205,051	271	---	---	37,299	783	---	1,744,047	1,247,202
Washington.....	139	5	80,665	64,150	78	1	79	8,341	194	204	338,822	279,048
Oregon.....	96	7	52,428	41,069	52	4	56	6,012	128	141	212,653	164,898
California.....	225	230	125,513	99,832	141	---	141	22,946	461	469	1,172,572	803,256

¹ The value of products marketed is credited to the State in which they originate and the value of farm supplies is credited to the State in which they are sold.

² Includes independent local associations, federations, and centralized associations.

³ Preliminary data covering operations of associations whose fiscal years ended during the period July 1, 1952, through June 30, 1953, with limited exceptions.

⁴ The total number of associations handling each commodity within a State includes not only the associations handling the commodity which have headquarters in that State, but all other associations handling the commodity in that State whose headquarters are located in other States. Number of associations handling a commodity include those performing specific services on the commodity, such as cotton ginning associations, livestock trucking associations, rice drying associations, and fruit drying associations. (Income for these specific services is included with service receipts.)

⁵ Includes the value of commodities marketed by cooperatives under price support program in 1952-53.

⁶ This figure represents value at the first level at which cooperatives transact business for farmers. It does not include wholesale business of farm supply cooperatives with other cooperatives or terminal market sales for local associations.

⁷ The business volume of cooperatives marketing nuts fluctuates widely from year to year and is affected by the extent to which producers participate in price support or stabilization programs.

⁸ Less than \$500.

⁹ Represents the value of wool handled for producers in various unspecified States where no marketing organization is in existence.

¹⁰ Includes the value of wool marketed by producers affiliated with some 26 local wool assembling pools who are direct members of a regional marketing cooperative. Payments are made directly to the wool producers.

¹¹ Includes the volume of a Statewide federation of county wool pools which is responsible for selling all wool in the pools. Payment is made by the federation to the pool manager who is responsible for payments to the individual wool growers.

¹² Includes forest products, fur pelts, hay, hops, nursery stock, tung oil, and other farm products not separately classified.

¹³ The apparent increase in 1952-53 over 1951-52 in number of associations handling and dollar volume for building materials, containers, insecticides and fungicides, and meats and groceries is partially due to the fact that these supply items were not separately listed on the questionnaires returned early in the 1951-52 survey, since the revision requiring separate data on them was introduced after the survey was under way. Therefore, in some of the questionnaires returned in 1951-52 these supplies were included under the miscellaneous category, thus accounting for the larger value of miscellaneous supplies in 1951-52.

¹⁴ Charges for services in which no duplication occurs.

Appendix Table 2.—Number and estimated memberships ¹ of farmers' marketing, farm supply, and service associations,² 1952-53 ³
(Classified according to major product handled or function performed)

Geographic division and State	Beans and peas (dry edible)		Cotton and cotton products		Dairy products		Fruit and vegetable		Grain ⁴	
	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship
Number										
UNITED STATES.....	15	6,954	539	385,340	1,917	811,810	776	133,782	2,172	906,058
New England.....					38	21,066	15	5,232		
Maine.....										
New Hampshire.....					2	3,148	5	3,255		
Vermont.....					5	2,057	2	478		
Massachusetts.....					18	10,471	1	8		
Rhode Island.....					8	2,209	4	1,300		
Connecticut.....					1	647				
Connecticut.....					4	2,534	3	191		
Middle Atlantic.....										
New York.....					120	69,384	47	13,888		
New Jersey.....		(⁵)			88	37,590	21	5,036		
Pennsylvania.....					1	3,209	12	4,414		
Pennsylvania.....					31	28,585	14	4,438		
East North Central.....	1	650			599	241,928	58	15,932	442	238,512
Ohio.....					34	38,077	14	3,221	114	51,368
Indiana.....					17	32,515	6	767	42	68,373
Illinois.....					62	41,593	7	531	245	92,802
Michigan.....	1	5 650			40	44,462	25	6,582	37	23,604
Wisconsin.....					446	85,281	6	4,831	4	2,365
West North Central.....			1	6,885	943	365,074	27	3,567	1,433	543,927
Minnesota.....					534	134,535	12	1,503	230	101,986
Iowa.....					250	81,343	2	131	259	101,546
Missouri.....					18	22,950	7	1,285	43	25,374
North Dakota.....			1	6,885	37	24,165	4	356	304	102,444
South Dakota.....					52	24,658			164	61,719
Nebraska.....					34	44,340	1	250	206	68,624
Kansas.....					18	33,083	1	42	227	82,234

South Atlantic.....		9	46,995	54	15,354	106	19,003	5	1,647
Delaware.....				(1)	693	3	959		
Maryland.....				4	4,810	8	1,600	1	500
District of Columbia.....				13	(c)				
Virginia.....				13	3,597	79	1,622	2	573
West Virginia.....				1	2,590	1	24		
North Carolina.....		1	8,075	12	2,866	5	317		
South Carolina.....		1	116	2	26	5	976		
Georgia.....		6	38,709	18	749	3	1,658	1	513
Florida.....		1	95	3	23	772	11,847	71	61
East South Central.....		65	83,399	15	11,562	20	6,846	6	5,325
Kentucky.....				3	4,428	5	3,470	2	5,035
Tennessee.....		2	14,355	8	5,561	8	2,341		
Alabama.....		6	23,674	2	42	4	489		
Mississippi.....		57	45,370	2	1,531	3	546	4	290
West South Central.....		422	235,295	28	28,007	48	6,604	135	61,134
Arkansas.....		36	33,031	3	2,134	78	1,576	1	904
Louisiana.....		5	15,103	4	1,818	11	2,266		
Okahoma.....		64	54,112	11	15,955	74	277	81	39,320
Texas.....		317	133,049	10	8,100	25	2,485	53	20,910
Mountain.....	9	19	4,993	45	31,892	70	14,396	95	40,266
Montana.....	1			6	3,129	2	691	57	14,333
Idaho.....	2			14	15,139	10	3,427	9	3,983
Wyoming.....	2			5	1,243			3	1,500
Colorado.....	3			7	8,177	25	3,958	22	18,106
New Mexico.....	1	19	4,953			2	97	2	2,294
Arizona.....		(1)	40	2	840	6	280		50
Utah.....				10	3,286	725	5,943	2	
Nevada.....				1	78				
Pacific.....	5	23	7,773	75	27,543	385	48,314	56	15,247
Washington.....	1			20	9,781	54	5,502	35	7,988
Oregon.....				27	11,131	27	6,341	19	5,879
California.....	4	23	7,773	28	6,631	7304	36,471	2	1,380

See footnotes at end of table.

Appendix Table 2.—*Number and estimated memberships¹ of farmers' marketing, farm supply, and service associations,² 1952-53³—Continued*
(Classified according to major product handled or function performed)

Geographic division and State	Livestock		Nut ³		Poultry and poultry products		Rice		Sugar products ³	
	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship	Associa- tions listed	Estimated member- ship
Number										
UNITED STATES.....	524	940, 913	40	35, 241	148	127, 691	57	11, 118	64	32, 989
New England.....	1	742			12	10, 510				
Maine.....										
New Hampshire.....					1	1, 200				
Vermont.....	(1)	225								
Massachusetts.....	1	517			4	5, 187				
Rhode Island.....					2	620				
Connecticut.....					5	3, 503				
Middle Atlantic.....	7	29, 351			24	21, 645			2	724
New York.....	3	23, 000			6	2, 159			2	724
New Jersey.....	1	3, 108			10	6, 976				
Pennsylvania.....	3	3, 243			8	12, 510				
East North Central.....	161	450, 751			16	24, 522			12	5, 453
Ohio.....	9	133, 546			9	21, 868			3	697
Indiana.....	5	91, 319			2	205				
Illinois.....	34	102, 221			1	46				
Michigan.....	7	33, 820			1	998			8	4, 253
Wisconsin.....	106	89, 845			3	1, 405			1	503
West North Central.....	289	324, 176			41	17, 400			6	3, 241
Minnesota.....	174	121, 442			11	4, 161			2	248
Iowa.....	46	49, 947			8	4, 141			1	412
Missouri.....	7	62, 296			13	6, 057				
North Dakota.....	53	41, 003			1	140				
South Dakota.....	2	6, 417			1	56			1	143
Nebraska.....	4	31, 228			5	1, 519			2	2, 438
Kansas.....	3	11, 843			2	1, 326				

South Atlantic	29	16, 771	3	13, 660	13	12, 418	1	48	2	99
Delaware					1	136				
Maryland					3	2, 933				
District of Columbia										
Virginia	6	2, 419		3, 642	4	7, 104				
West Virginia	13	6, 350	1		1	1, 713				
North Carolina	2	3, 244			1	389				
South Carolina	2	1, 071								
Georgia	4	2, 900	2	10, 018	1	116				
Florida	2	787			2	27	1	48	2	99
East South Central	10	41, 709			3	5, 269	1	33	1	20
Kentucky	1	25, 006			1	200			1	20
Tennessee	2	11, 546								
Alabama	4	4, 299			1	5, 000				
Mississippi	3	858			1	69	1	33		
West South Central	5	31, 260	6	3, 581	7	2, 542	40	9, 647	9	1, 289
Arkansas	1	350			1	400	16	3, 218		
Louisiana							16	4, 000	9	1, 289
Oklahoma	1	21, 252	5	1, 381						
Texas	3	9, 658	1	2, 200	6	2, 142	17	2, 429		
Mountain	16	28, 652			14	15, 740			28	17, 983
Montana	(1)	9, 987							6	1, 049
Idaho	12	4, 455			2	2, 872			7	3, 428
Wyoming	(1)	2, 316			1	425			4	4, 350
Colorado	2	6, 960			5	327			3	4, 656
New Mexico	(1)	818								
Arizona	(1)	189			5	12, 095			8	4, 500
Utah	2	3, 732			1	21				
Nevada	(1)	195								
Pacific	6	17, 501	31	18, 000	18	17, 645	6	1, 390	4	4, 180
Washington										
Oregon	2	1, 356	1	307	2	3, 634			1	750
California	1	528	6	2, 040	2	425				
	3	15, 617	24	15, 653	14	13, 586	6	1, 390	3	3, 430

See footnotes at end of table.

Appendix Table 2.—Number and estimated memberships ¹ of farmers' marketing, farm supply, and service associations,² 1952-53 ³—Continued
(Classified according to major product handled or function performed)

Geographic division and State	Tobacco		Wool and mohair		Miscellaneous ¹⁰		Total marketing	
	Associations listed	Estimated membership ¹¹	Associations listed	Estimated membership	Associations listed	Estimated membership	Associations listed	Estimated membership
Number								
UNITED STATES	28	727,573	144	110,622	65	16,484	6,489	4,246,575
New England	1	1,132	3	765			70	39,447
Maine				397			8	6,800
New Hampshire			1	14			8	3,749
Vermont			(1)	9			19	10,713
Massachusetts	1	625	2	12,345			20	10,183
Rhode Island							3	1,267
Connecticut	(1)	507					12	6,735
Middle Atlantic	1	1,053	29	6,346	4	1,393	234	143,784
New York			1	171			125	70,073
New Jersey					4	1,393	24	17,707
Pennsylvania	1	1,053	28	6,175			85	56,004
East North Central	3	17,916	4	20,584	7	3,658	1,303	1,019,906
Ohio								
Indiana	1	9,020	1	7,300			185	285,097
Illinois	(1)	5,096	(1)	50			73	198,362
Michigan			1	2,584	1	37	38	239,815
Wisconsin	2	3,800	1	4,250	2	3,327	122	118,875
West North Central	1	2,713	10	43,643	15	3,378	572	197,757
Minnesota								
Iowa			2	11,900	4	610	969	376,385
Missouri			2	8,383	1	33	569	245,936
North Dakota	1	2,713	2	1,900	8	2,167	100	131,627
South Dakota			4	4,335	1	268	404	172,711
Nebraska			(1)	10,100			220	103,093
Kansas			(1)	2,025	1	300	263	150,724
			(1)	5,000			251	133,528

South Atlantic	13	355,906	43	13,262	6	1,089	284	496,252
Delaware	2	13,708	(1)	700			4	1,788
Maryland	4	52,664	13	13 7,609	1	850	18	24,251
District of Columbia	(1)	2,840	14 30	4,903	1	16	53	80,080
Virginia	5	214,590	(1)	50	1	51	47	18,436
West Virginia	(1)	36,000					27	229,582
North Carolina	1	30,098			1	100	10	38,189
South Carolina	1	6,006			2	72	37	84,861
Georgia							87	19,065
Florida								
East South Central	9	348,853	10	5,395	3	1,087	143	509,498
Kentucky	6	260,122	5	2,506			24	300,787
Tennessee	3	88,731	4	2,689			27	125,223
Alabama					3	1,087	20	34,591
Mississippi			1	200			72	48,897
West South Central					5	599	719	382,917
Arkansas			5	2,959				
Louisiana			1	281	2	405	69	42,299
Oklahoma			1	342	1	67	47	24,885
Texas			3	1,536	2	127	166	133,097
Mountain							437	182,636
Montana			39	14,665	8	1,804	343	174,812
Idaho			15	1,419	4	1,215	91	32,023
Wyoming			12	2,300	1	279	69	37,093
Colorado			4	1,919			19	14,033
New Mexico			3	8,200	1	150	71	51,147
Arizona			1	82			25	8,362
Utah			1	50	1	10	10	1,409
Nevada			2	665	1	150	55	30,421
Pacific			1	30			3	324
Washington				3,003	17	3,476	627	165,955
Oregon			(1)	725	6	323	122	31,036
California			(1)	2,055	4	1,186	87	29,585
				223	7	1,967	418	105,334

See footnotes at end of table.

Appendix Table 2.—Number and estimated memberships¹ of farmers' marketing, farm supply, and service associations,² 1952-53³—Continued
(Classified according to major product handled or function performed)

Geographic division and State	Purchasing		Service ¹⁵		Total	
	Associations listed	Estimated membership	Associations listed	Estimated membership	Associations listed	Estimated membership
Number						
UNITED STATES.....	3, 376	3, 138, 695	249	89, 225	10, 114	7, 474, 495
New England.....	62	73, 735	19	4, 635	151	117, 817
Maine.....	¹⁶ 15	16, 383	1	4	24	23, 197
New Hampshire.....	¹⁶ 4	7, 976	1	15	13	11, 740
Vermont.....	8	11, 667	11	3, 805	38	26, 185
Massachusetts.....	¹⁶ 21	24, 462	3	565	44	35, 210
Rhode Island.....	(¹⁶)	2, 030	1	121	4	3, 418
Connecticut.....	¹⁶ 14	11, 207	2	125	28	18, 067
Middle Atlantic.....	396	225, 857	12	2, 228	642	371, 869
New York.....	263	94, 011	4	1, 653	392	165, 737
New Jersey.....	38	20, 796	3	358	63	38, 861
Pennsylvania.....	95	111, 050	5	217	185	167, 271
East North Central.....	750	894, 069	78	42, 991	2, 131	1, 956, 966
Ohio.....	109	105, 282	11	2, 290	305	372, 669
Indiana.....	74	190, 858	4	1, 277	151	390, 497
Illinois.....	173	295, 341	46	38, 181	570	573, 337
Michigan.....	106	78, 213	11	341	239	197, 429
Wisconsin.....	¹⁶ 288	224, 375	6	902	866	423, 034
West North Central.....	1, 155	879, 827	54	13, 589	3, 975	2, 207, 420
Minnesota.....	¹⁶ 336	¹⁷ 186, 885	25	7, 131	1, 330	570, 401
Iowa.....	142	151, 404	7	887	718	398, 227
Missouri.....	184	304, 803	2	2, 885	286	439, 315
North Dakota.....	133	67, 570	12	826	549	241, 107
South Dakota.....	100	52, 507	1	280	321	155, 880
Nebraska.....	155	81, 960	6	1, 374	414	234, 058
Kansas.....	105	34, 698	1	206	357	168, 432
South Atlantic.....	283	481, 537	32	6, 615	599	984, 404
Delaware.....	11	15, 501			15	17, 289
Maryland.....	40	51, 847	5	963	63	77, 061
District of Columbia.....					1	
Virginia.....	77	157, 543	8	3, 530	138	241, 153

West Virginia.....	22	36,480	3	120	72	55,036
North Carolina.....	56	175,789	5	485	88	405,856
South Carolina.....	19	20,449	5	587	34	59,225
Georgia.....	39	21,708	5	846	81	107,415
Florida.....	19	2,220	1	84	107	21,369
East South Central.....	223	251,268	11	4,294	377	765,060
Kentucky.....	55	75,633			79	376,420
Tennessee.....	80	50,752	4	2,476	111	178,451
Alabama.....	33	48,621	2	525	55	83,737
Mississippi.....	55	76,262	5	1,253	132	126,452
West South Central.....	165	62,599	30	12,677	914	458,193
Arkansas.....	45	25,129	1	24	115	67,452
Louisiana.....	4	13,941	2	332	53	26,158
Oklahoma.....	38	13,293	3	1,296	207	147,686
Texas.....	78	23,236	24	11,025	539	216,897
Mountain.....	192	125,947	7	554	542	301,313
Montana.....	87	34,928	4	87	182	67,038
Idaho.....	37	23,493			106	60,586
Wyoming.....	7	3,272			26	17,305
Colorado.....	40	17,502	1	80	112	68,720
New Mexico.....	4	2,125	1	375	30	10,862
Arizona.....	2	40,000			12	41,409
Utah.....	14	3,962	1	12	70	34,395
Nevada.....	1	665			4	989
Pacific.....	150	143,856	6	1,642	783	311,453
Washington.....	72	77,130			194	108,166
Oregon.....	39	40,883	2	1,340	128	71,808
California.....	39	25,843	4	362	461	131,479

¹ Estimated membership for each association is credited to the State in which the membership is located. The association with which this membership is affiliated has been counted in the State in which the association maintains its headquarters. Includes members (those entitled to vote for directors), but does not include non-voting patrons. (There is some duplication in these membership figures because some farmers belong to more than one association.)

² Includes independent local associations, federations, and centralized associations.
³ Preliminary data covering operations of associations whose fiscal years ended during the period July 1, 1952 through June 30, 1953, with limited exceptions.

⁴ Includes soybeans, soybean meal and oil.
⁵ It is estimated that approximately 4,400 additional members affiliated with other types of cooperatives market dry beans. These include: Colorado 2,500; Michigan 900; and New York 1,000.

⁶ Members of this association are credited to the States in which they reside.
⁷ Associations temporarily inactive because of crop or other conditions and those performing specific services on a commodity are included.

⁸ Membership of cooperatives marketing nuts fluctuates from year to year and is affected by the extent to which producers participate in price support or stabilization programs.

⁹ Includes sugar, sugarcane, sugar beets, honey, maple syrup, molasses, and sorghum.
¹⁰ Includes forest products, fur pelts, hay, hops, nursery stock, tung oil, and other farm products not separately classified.

¹¹ Member-patrons.
¹² Represents membership in various unspecified States where no marketing organization is in existence.

¹³ Includes members of some 26 local wool assembling pools who are direct members of a regional marketing cooperative. Payments are made directly to the wool producers.

¹⁴ Includes a statewide federation of county wool pools which is responsible for selling all wool in the pools. Payment is made by the federation to the pool manager who is responsible for payment to the individual woolgrowers.

¹⁵ Includes associations furnishing specialties without facilities affiliated with an operating regional association.
¹⁶ Includes incorporated local associations without facilities affiliated with an operating regional association.

¹⁷ One regional association reported much lower membership in 1952-53 than in previous years.

Table 3.—Major types, number, and membership of farmers' cooperatives

Type	Year or date of data	Associations	Estimated members or participants
Production:			
Mutual irrigation companies ¹	1950	9,374	148,496
Dairy herd improvement associations ²	Jan. 1, 1955	2,288	41,240
Dairy cattle artificial breeding associations ²	Jan. 1, 1955	1,476	593,190
Marketing and purchasing:			
Marketing ³	1952-1953	⁴ 6,489	4,246,575
Purchasing ³	1952-1953	⁵ 3,376	3,138,695
Miscellaneous services ^{3 6}	1952-1953	⁷ 249	89,225
Services:			
National farm loan associations ⁸	June 30, 1955	1,102	⁹ 350,888
Production credit associations ⁸	June 30, 1955	498	476,089
Banks for cooperatives ⁸	June 30, 1955	13	¹⁰ 3,073,101
Rural federal credit unions ¹¹	June 30, 1955	¹² 200	¹² 30,000
Farmers' mutual fire insurance companies ¹³	1954	1,725	3,500,000
Rural electric cooperatives ¹⁴	Dec. 31, 1954	945	3,953,299
Rural health cooperatives ¹⁵	1954	13	38,883

¹ Seventeenth Census of the United States, 1950 Estimated membership from Sixteenth Census of the United States, 1940.

² Dairy Husbandry Research Branch, Department of Agriculture.

³ Farmer Cooperative Service, Department of Agriculture.

⁴ When associations marketing farm products but principally engaged in providing some other services are included, the total is 7,208.

⁵ When associations purchasing farm supplies but principally engaged in providing some other services are included, the total is 7,244.

⁶ Includes general trucking, storage, grinding, locker plant, and other services.

⁷ When associations providing miscellaneous services but principally engaged in marketing or farm supply activities are included, the total is 4,268.

⁸ Farm Credit Administration.

⁹ Represents the number of Federal Land Bank loans outstanding.

¹⁰ Estimated members of associations borrowing from banks for cooperatives.

¹¹ Bureau of Federal Credit Unions, Department of Health, Education and Welfare.

¹² Revised estimates.

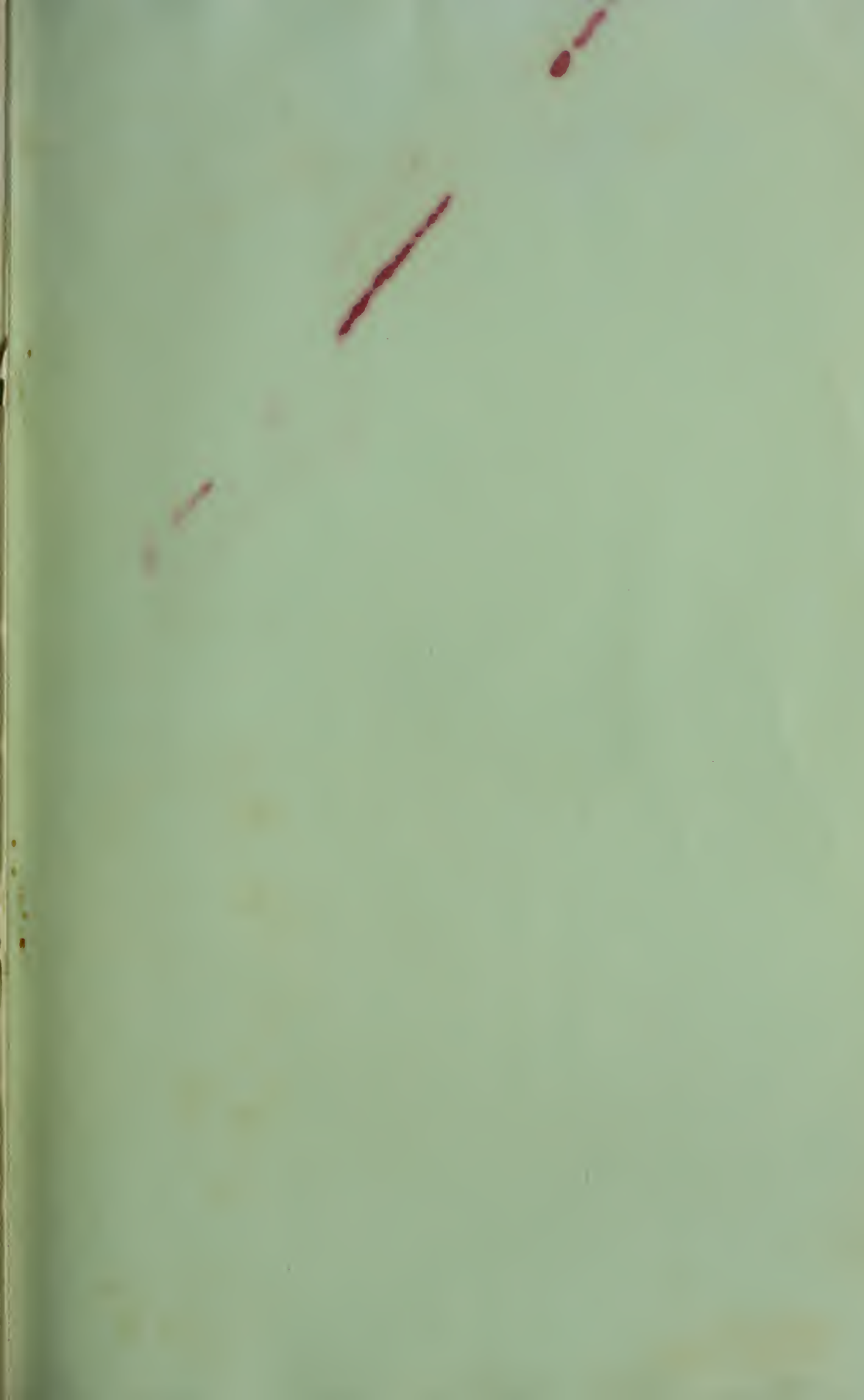
¹³ Farmer Cooperative Service, Department of Agriculture estimates.

¹⁴ Rural Electrification Administration, Department of Agriculture.

¹⁵ Public Health Service, Department of Health, Education and Welfare. Estimate of number of associations in which farmers have controlling interest.







Other Publications Available

- The Story of Farmers' Cooperatives, FCS Educational Circular 1, *R. H. Elsworth*.
- Three Principles of Agricultural Cooperation, Circular E-24, *Ward W. Fetrow*.
- Organizing a Farmers' Cooperative, Circular C-108, *S. D. Sanders*.
- Legal Phases of Cooperative Associations, Bulletin 50, *L. S. Hulbert*.
- The Cotton Producers Association—Its Cotton Marketing and Supply Purchasing Service, Circular C-131, *John H. Lister and Clarence E. Pike*.
- Using Gin Machinery More Effectively, FCS Bulletin 7, *Otis T. Weaver and Daniel H. McVey*.
- Progress in Farm-To-Plant Bulk Milk Handling, FCS Circular 8, *Noel Stocker*.
- Pricing Milk According to Use, FCS Bulletin 6, *Stanley Krause*.
- The California Fruit Growers Exchange System, Circular C-135, *Kelsey B. Gardner and A. W. McKay*.
- Changing Grain Storage Costs, Farm vs. Elevator, FCS Circular 6, *Thomas E. Hall*.
- New Country Elevators—Influence of Size and Volume on Operating Costs, FCS Circular 10, *Thomas E. Hall*.
- Decentralized Marketing by Producers Livestock Cooperative Association, Columbus, Ohio, Bulletin 65, *R. L. Fox and C. G. Randell*.
- Measuring the Marketability of Meat-Type Hogs, Circular C-152, *R. L. Fox, Anna E. Wheeler, and C. G. Randell*.
- Cooperative Marketing of Eggs and Poultry in Ohio, Bulletin 59, *Harry E. Ratcliffe*.
- Feeder Calf Sales in the Southeastern States, FCS Circular 9, *C. G. Randell and Anna E. Wheeler*.
- The Mississippi Federated Cooperatives' System, Its Purchasing and Marketing Services, FCS Bulletin 2, *J. W. Mather*.
- Feed Bags—Kinds, Costs, and Problems, FSC Circular 2, *Lacey F. Rickey*.
- Operations of Western States Bean Cooperative, FCS Circular 7, *Henry M. Bain*.
- Operating Costs of Selected Frozen Food Locker Cooperatives, Bulletin 71, *Paul C. Wilkins and L. B. Mann*.
- Coordinating Transportation Improves Marketing and Purchasing for Minnesota Cooperatives, Bulletin 57, *Robert J. Byrne*.

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